CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
ST. PAUL, MINNESOTA

FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS

YEARS ENDED JUNE 30, 2017 AND 2016

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Regents
Concordia University, St. Paul
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Concordia University, St. Paul, an educational institution of the Lutheran Church – Missouri Synod, which comprise the 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 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.

Auditors' 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 audits 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 auditors' 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.

Board of Regents
Concordia University, St. Paul

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concordia University, St. Paul 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.

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, Concordia University, St. Paul adopted two recently issued accounting standards related to the accounting for debt issuance costs and accounting for fair value measurement. The first standard requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The second standard requires entities to no longer categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share expedient. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 October 12, 2017, on our consideration of Concordia University, St. Paul's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Concordia University, St. Paul's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Concordia University, St. Paul's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 12, 2017

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 21,944,447	$ 19,558,881
Funds on Deposit with Concordia University System	5,597,226	5,993,646
Accounts and Interest Receivable - Net of Allowance for Doubtful Accounts of $1,469,455 in 2017 and $1,239,053 in 2016	2,309,271	1,588,978
Federal Grants Receivable	331,882	212,708
State Grants Receivable	756,872	693,373
Inventories, Prepaid Expenses, and Other Assets	982,871	1,273,772
Trusts and Annuities Receivable	1,023,104	890,405
Funds on Deposit with Bond Trustee	138,677	513,257
Loans Receivable - Federal Perkins Loan Program and Other Loans	1,805,145	2,095,261
Land, Buildings, and Equipment - Net	44,640,309	44,097,386
Investment in LCMS Foundation	25,136,010	22,729,724
Long-Term Investments	12,058,427	11,541,433
Funds Held by Third-Party Trustees	11,107,468	12,926,855
Cash Value of Life Insurance	744,518	757,041
Total Assets	$ 128,576,227	$ 124,872,720
LIABILITIES AND NET ASSETS		
LIABILITIES		
Bonds Payable - Net of Discounts	$ 16,161,819	$ 17,761,117
Deposits Payable	334,766	341,917
Refundable Advance - Food Service Company	692,308	769,231
Deferred Revenue	4,613,323	3,205,450
Obligation Under Capital Lease	875,841	1,318,347
Accounts Payable and Other Liabilities	3,992,054	4,344,039
Interest Rate SWAP Agreements	773,420	1,456,787
Refundable Advances - Federal Perkins Loan Program	2,017,061	2,418,617
Total Liabilities	29,460,592	31,615,505
NET ASSETS		
Undesignated	30,002,792	25,660,053
Net Investment in Land, Buildings, and Equipment	26,141,802	23,272,194
Total Unrestricted	56,144,594	48,932,247
Temporarily Restricted	5,278,130	5,668,046
Permanently Restricted	37,692,911	38,656,922
Total Net Assets	99,115,635	93,257,215
Total Liabilities and Net Assets	$ 128,576,227	$ 124,872,720

See accompanying Notes to Financial Statements

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Tuition and Fees	$ 56,264,816	$ -	$ -	$ 56,264,816
Less: Scholarship Allowances	(11,577,561)	-	-	(11,577,561)
Net Tuition and Fees	44,687,255	-	-	44,687,255
Income on Cash and Cash Equivalents	64,576	-	-	64,576
Income on Long-Term Investments	237,196	461,986	16,188	715,370
Auxiliary Enterprises	6,391,146	-	-	6,391,146
Other	433,868	-	-	433,868
Total Revenue	51,814,041	461,986	16,188	52,292,215
SUPPORT AND GRANTS				
Concordia University System	-	39,618	-	39,618
Federal Grants	1,096,388	-	-	1,096,388
State Grants	1,359,183	-	-	1,359,183
Other	2,508,325	1,278,635	481,178	4,268,138
Total Support and Grants	4,963,896	1,318,253	481,178	6,763,327
GAINS AND OTHER ADDITIONS				
Change in Value of Split-Interest Agreements	-	140,767	(8,068)	132,699
Change in Value of Funds Held by Third-Party Trustees	-	-	(1,819,386)	(1,819,386)
Gain on Sale of Fixed Assets	676,902	-	-	676,902
Gain on Interest Rate Swap Agreement	683,367	-	-	683,367
Net Gains on Investments	1,161,456	465,022	366,077	1,992,555
Total Gains and Other Additions	2,521,725	605,789	(1,461,377)	1,666,137
Subtotal	59,299,662	2,386,028	(964,011)	60,721,679
Net Assets Released from Restrictions	2,775,944	(2,775,944)	-	-
Total Support and Grants, Revenue, Gains and Other Additions	62,075,606	(389,916)	(964,011)	60,721,679
EXPENSES				
Educational and General:				
Academic Programs:				
Instruction-Divisional	15,789,695	-	-	15,789,695
Other Instructional Programs	1,982,891	-	-	1,982,891
Support Programs:				
Academic Support	3,645,506	-	-	3,645,506
Student Services	19,449,767	-	-	19,449,767
Institutional Support	6,383,083	-	-	6,383,083
Fundraising	1,480,782	-	-	1,480,782
Total Educational and General	48,731,724	-	-	48,731,724
Auxiliary Enterprises	6,131,535	-	-	6,131,535
Total Expenses	54,863,259	-	-	54,863,259
CHANGE IN NET ASSETS	7,212,347	(389,916)	(964,011)	5,858,420
Net Assets - Beginning of Year	48,932,247	5,668,046	38,656,922	93,257,215
NET ASSETS - END OF YEAR	$ 56,144,594	$ 5,278,130	$ 37,692,911	$ 99,115,635

See accompanying Notes to Financial Statements

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Tuition and Fees	$ 52,879,874	$ -	$ -	$ 52,879,874
Less: Scholarship Allowances	(8,101,864)	-	-	(8,101,864)
Net Tuition and Fees	44,778,010	-	-	44,778,010
Income on Cash and Cash Equivalents	54,655	-	-	54,655
Income on Long-Term Investments	186,966	451,605	15,719	654,290
Auxiliary Enterprises	6,010,820	-	-	6,010,820
Other	368,420	-	-	368,420
Total Revenue	51,398,871	451,605	15,719	51,866,195
SUPPORT AND GRANTS				
Concordia University System	-	41,314	-	41,314
Federal Grants	716,100	-	-	716,100
State Grants	1,207,636	-	-	1,207,636
Other	2,320,422	1,672,282	810,474	4,803,178
Total Support and Grants	4,244,158	1,713,596	810,474	6,768,228
GAINS AND OTHER ADDITIONS				
Change in Value of Split-Interest Agreements	-	(80,154)	22,434	(57,720)
Change in Value of Funds Held by Third-Party Trustees	-	-	138,642	138,642
Loss on Interest Rate Swap Agreement	(160,946)	-	-	(160,946)
Net Gains on Investments (Loss)	(455,662)	58,176	20,267	(377,219)
Total Gains and Other Additions	(616,608)	(21,978)	181,343	(457,243)
Subtotal	55,026,421	2,143,223	1,007,536	58,177,180
Net Assets Released from Restrictions	2,231,054	(2,231,054)	-	-
Total Support and Grants, Revenue, Gains and Other Additions	57,257,475	(87,831)	1,007,536	58,177,180
EXPENSES				
Educational and General:				
Academic Programs:				
Instruction-Divisional	14,525,083	-	-	14,525,083
Other Instructional Programs	1,944,403	-	-	1,944,403
Support Programs:				
Academic Support	3,411,526	-	-	3,411,526
Student Services	18,642,253	-	-	18,642,253
Institutional Support	6,189,428	-	-	6,189,428
Fundraising	1,293,713	-	-	1,293,713
Total Educational and General	46,006,406	-	-	46,006,406
Auxiliary Enterprises	5,412,756	-	-	5,412,756
Total Expenses	51,419,162	-	-	51,419,162
CHANGE IN NET ASSETS	5,838,313	(87,831)	1,007,536	6,758,018
Net Assets - Beginning of Year	43,093,934	5,755,877	37,649,386	86,499,197
NET ASSETS - END OF YEAR	$ 48,932,247	$ 5,668,046	$ 38,656,922	$ 93,257,215

See accompanying Notes to Financial Statements

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 5,858,420	$ 6,758,018
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Bad Debt Expense	384,382	384,382
Depreciation Expense	2,737,573	2,637,100
Donated Securities	(61,419)	-
Gain on Sale of Fixed Assets	(676,902)	-
Net Unrealized Losses (Gains) on Investments	(451,315)	127,445
Realized Gains on Investments	(145,240)	-
Change in Value of SWAP Agreements	(683,367)	160,944
Contributions Restricted for Investment in Endowment	(846,532)	(846,532)
Increase (Decrease) in Cash Value of Life Insurance	12,523	(40,479)
Amortization of Bond Issuance Costs	155,012	27,214
Amortization of Bond Discount	5,690	5,688
(Increase) Decrease in Assets:		
Accounts and Interest Receivable	(1,104,675)	(318,232)
Federal and State Grants Receivable	(182,673)	29,084
Inventories, Prepaid Expenses, and Other Assets	290,901	(489,912)
Contributions Receivable	(132,699)	127,719
Deferred Lease Incentive	(40,690)	-
Funds Held by Third-Party Trustees	1,819,387	(138,644)
Increase (Decrease) in Liabilities:		
Accounts Payable and Other Liabilities	(292,852)	48,789
Deposits Payable	(7,151)	(8,587)
Deferred Revenue	1,407,873	(630,924)
Refundable Advances - Food Service Company	(76,923)	(76,923)
Refundable Advances - Federal Perkins Loan Program	(401,556)	(209,265)
Net Cash Provided by Operating Activities	7,567,767	7,546,885
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	(3,409,437)	(1,152,074)
Proceeds from Sales of Investments	4,412,824	168,152
Funds on Deposit with CUS	396,420	(1,549,010)
Purchases of Investments	(4,271,844)	(2,259,379)
Investment in LCMS Foundation	(2,406,286)	727,436
Decrease in Federal Perkins Loans Receivable	290,116	211,228
Net Cash Used by Investing Activities	(4,200,807)	(3,853,647)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(1,760,000)	(925,000)
Payments on Capital Leases	(442,506)	(428,550)
Proceeds from Contributions Restricted for Investment in Endowment	846,532	846,532
Increase (Decrease) in Funds on Deposit with Bond Trustee	374,580	(20,661)
Net Cash Used by Financing Activities	(981,394)	(527,679)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,385,566	3,165,559
Cash and Cash Equivalents - Beginning of Year	19,558,881	16,393,322
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 21,944,447	$ 19,558,881
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Leasehold Incentive - Improvements Paid by Landlord	$ 421,157	$ -
Donated Stock	$ 61,419	$ -
Accounts Payable Relating to Equipment	$ 439,600	$ -
Interest Paid	$ 765,697	$ 886,257

See accompanying Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Concordia University, St. Paul (the University or the Organization), a Minnesota nonprofit corporation, is a private, Lutheran liberal arts educational institution operated under the auspices of The Lutheran Church – Missouri Synod (Synod), which establishes broad operating and financial policies through its Board for University Education (BUE)/Concordia University System (CUS). The University's Board of Regents is responsible for the management of the University. Some members of the board are elected through the Synod and others are selected through the board.

Revenues are derived principally from the University's educational programs in the form of tuition and fees, and also from auxiliary enterprise activities and contributions.

The majority of the University's students rely on funds received from various federal financial aid programs under Title IV of the Higher Education Act of 1965, as amended, to pay for a substantial portion of their tuition. These programs are subject to periodic review by the United States Department of Education (DOE). Disbursements under each program are subject to disallowance and repayment by the University. As an educational institution, the University is subject to licensure from various accrediting and state authorities and other regulatory requirements of the DOE.

Auxiliary enterprises revenue includes income from the child care center, student housing, employee housing, food service, bookstore, transportation, convention and conferences, and music performances. Accordingly, the auxiliary enterprise expenses include all costs incurred in providing these services.

The University is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and has received a determination letter from the Internal Revenue Service stating that it is exempt from federal income tax on its related exempt activities under Code Section 501(a).

Accrual Basis

The financial statements of the University have been prepared on the accrual basis of accounting.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets and revenues, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of regents has discretionary control. The board-designated amounts represent those amounts which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the University or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the University. The donors of these resources permit the University to use all or part of the income earned, including capital appreciation, or related investment income for unrestricted or temporarily restricted purposes.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash and cash equivalents include currency, demand deposits, and liquid investments with a maturity, at time of purchase, of three months or less. Cash and cash equivalents do not include investments the University has both the ability and intent to hold long term. At times throughout the year, the cash and cash equivalent balances may exceed amounts insured by the Federal Deposit Insurance Corporation. At June 30, 2017 and 2016, cash restricted for federal Perkins loan totaled $211,916 and $481,463, respectively. Income earned on cash and cash equivalents, as reported on the statements of activities, includes income earned on the University's CUS deposit account described in Note 2.

Accounts Receivables

Receivables are stated at net realizable value. The University provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectability. Accounts registered for a payment plan are not charged interest until after the payment plan expires. Accounts for which no payments have been received are individually assessed for collectability and are written off. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is recorded when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as government grants repayable. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

Inventories

Inventories consist of fuel oil. The University contracted with Barnes and Noble in lieu of their bookstore in current year.

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises are not included as support until such time as the conditions are substantially met.

Fair Value Measurement

The University accounts for its investments at fair value. The University has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

In 2017, the University adopted ASU No. 2015-07 which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share expedient. This has been applied retrospectively.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds, and real estate.

Land, Buildings, and Equipment

Capital assets are defined as assets exceeding $5,000. Land, buildings, improvements, and equipment are recorded at cost, except for property received by gift, which is recorded at fair value on the date of receipt. Major additions and betterments that improve or extend the life of the respective assets are capitalized while replacements, maintenance, and repairs are expensed as incurred. Title to land and buildings is principally in the name of the University with reversionary clauses to the Synod. Buildings, improvements, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets from 3 to 60 years.

Investments

Investments are carried at fair value based on quoted market prices. Realized and unrealized gains and losses, reflected in the statements of activities, are determined by comparison of the investment cost to proceeds at the time of disposal and to market values at the financial statement date.

The Board of Regents has interpreted state law as requiring the original value of an endowment gift to be maintained as the permanent endowment corpus. Realized gains as well as the net appreciation of permanent endowment funds may be expended for the same purpose as the endowment was established, unless explicit donor restrictions specify other treatment.

Substantially all of the assets shown in the financial statements, except for land, buildings, and equipment, approximate fair value. Financial liabilities are recorded at cost which approximates fair value.

Bond Issuance Costs

The University has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, *Interest – imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that organizations to present debt issuance costs as a direct deduction from the face of the amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effect of adopting the new standard decreased the debt issuance costs asset to zero and decrease the debt liability by $464,108 as of July 1, 2016. The adoption of the standard has no effect on previously reported net assets/equity. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The ASU is retrospectively applied.

Deferred debt acquisition costs are being amortized on a straight-line basis over the term of the bonds of 25 years. Accumulated amortization was $387,168 and $283,183 for the years ended June 30, 2017 and 2016, respectively. Amortization expense was $131,199 and $27,214 for the years ended June 30, 2017 and 2016.

Deposits Payable

Deposits payable consists of various deposits and advanced payments received from students for tuition, room and board, and various fees.

Contributed Services

Contributed services are reported in the financial statements at fair value for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation.

Deferred Revenue

Deferred revenue represents tuition and fees billed to students who have registered for undergraduate summer school courses and graduate and continuing studies courses as of June 30, 2017 and 2016. Accordingly, deferred revenue will be recognized as tuition and fee revenue in the subsequent fiscal year when it is earned.

Functional Allocation of Expense

Salaries and related expenses are allocated based on actual time spent. Expenses, other than salaries and related expenses that are not directly identifiable by program or support service are allocated based on the best estimates of management.

Tax-Exempt Status

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The University’s tax returns are subject to review and examination by federal, state, and local authorities.

The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The University expenses the costs of advertising as they are incurred. Advertising expense was $2,369,289 and $2,233,452 for the years ended June 30, 2017 and 2016, respectively.

Subsequent Events

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through October 12, 2017, the date the financial statements were available to be issued.

NOTE 2 FUNDS ON DEPOSIT WITH CONCORDIA UNIVERSITY SYSTEM

Funds on deposit with CUS totaled $5,597,226 and $5,993,646 at June 30, 2017 and 2016, respectively. Funds on deposit during the year included interest-bearing demand deposits of operational cash, funds set aside for capital purchases and short-term line of credit borrowings. These are demand deposits which earn interest on the daily balance in the account at rate of 0.625%. During the years ended June 30, 2017 and 2016, interest earned on these deposits totaled $38,250 and $38,395, respectively, which was included on the statements of activities with income earned on cash and cash equivalents.

In June 2016, CUS approved a $4,400,000 line of credit to support current operations. During the years ended June 30, 2017 and 2016, when the University was a net borrower from the CUS line of credit, interest was charged at rates ranging from 4.25%. At June 30, 2017 and 2016, these short-term line of credit borrowings totaled $-0-. Interest paid in fiscal years 2017 and 2016 on these borrowings totaled $-0-, which was reported as an Institutional Support expense on the statements of activities.

In June 2017, CUS approved a $4,700,000 line of credit, which is available to the University during the 2018 fiscal year for short-term cash flow purposes.

NOTE 3 CONTRIBUTIONS RECEIVABLE

At June 30, 2017 and 2016, contributors have unconditionally promised to give the University $1,592,545 and $1,391,705, respectively. Of these amounts, all are held by the Lutheran Church – Missouri Synod Foundation (LCMS Foundation) as irrevocable deferred gifts of which the University is the beneficiary and will receive the principal at some future date.

NOTE 3 CONTRIBUTIONS RECEIVABLE (CONTINUED)

Management believes total contributions will be received as follows:

	2017	2016
Amounts Due:		
Within One Year	$ 33,032	$ -
One to Five Years	170,048	186,255
After Five Years	1,389,465	1,205,450
	1,592,545	1,391,705
Less: Present Value Component	(569,441)	(501,300)
Total	$ 1,023,104	$ 890,405
Amounts are Reflected in the Financial Statements as Follows:		
Trusts and Annuities Receivable	$ 1,023,104	$ 890,405

NOTE 4 LOANS RECEIVABLE – FEDERAL PERKINS LOAN PROGRAM

Loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally-mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. At June 30, 2017 and 2016, loans receivable were $1,805,147 and $1,937,155, respectively, which represented 1.41% and 1.55% of total assets, respectively.

Amounts due under the Federal loan programs are guaranteed by the government and therefore, no reserves are placed on any past due balances under the program.

At June 30, 2017 and 2016, the following amounts were past due under student loan programs:

June 30,	1-60 Days Past Due	61-90 Days Past Due	Over 90 Days Past Due	Total Past Due
2017	$ -	$ -	$ 634,688	$ 634,688
2016	5,834	817	574,634	581,285

NOTE 4 LOANS RECEIVABLE – FEDERAL PERKINS LOAN PROGRAM (CONTINUED)

The availability of funds for loans under the Perkins Federal loan program is dependent on reimbursement to the pool from repayments on outstanding loans. Funds advanced by the Federal government of approximately $1.8 million and $1.9 million at June 30, 2017 and 2016 respectively, are ultimately refundable to the government, and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loans and a decrease in the liability to the government.

NOTE 5 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment and the related accumulated depreciation amounts at are as follows at June 30, 2017 and 2016:

	2017		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 5,446,491	$ -	$ 5,446,491
Buildings	61,718,817	(27,455,566)	34,263,251
Building and Other Improvements	3,212,091	(2,519,539)	692,552
Equipment	10,247,145	(6,009,130)	4,238,015
Total	$ 80,624,544	$ (35,984,235)	$ 44,640,309

	2016		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 5,446,491	$ -	$ 5,446,491
Buildings	60,612,870	(26,272,607)	34,340,263
Building and Other Improvements	2,595,153	(2,443,546)	151,607
Equipment	9,180,911	(5,021,886)	4,159,025
Total	$ 77,835,425	$ (33,738,039)	$ 44,097,386

NOTE 6 LONG-TERM INVESTMENTS

Investments with maturities greater than or equal to one year at time of purchase are classified as long term. In addition, investments with maturities of less than one year at time of purchase, which the University has both the ability and intent to hold long term, are also classified as long-term investments. Details of long-term investments held by the University at June 30, 2017 and 2016 follows:

	2017	2016
Mutual Funds - Equities	$ 2,940,148	$ 2,445,930
Mutual Funds - Fixed Income	533,322	473,090
Cash and Money Market	202,099	435,496
LCEF Notes	8,382,858	8,186,917
Total Investments	$ 12,058,427	$ 11,541,433
LCMS Foundation		
Standard Funds:		
Fixed Income	$ 12,265,356	$ 11,878,184
Equity	12,845,654	10,826,540
LCEF Certificate	25,000	25,000
Total LCMS Foundation	$ 25,136,010	$ 22,729,724

Income on long-term investments of $715,370 and $654,290 for the years ended June 30, 2017 and 2016, respectively, is net of custodial fees of $134,963 and $124,873, respectively.

NOTE 7 FUNDS HELD BY THIRD-PARTY TRUSTEES

Funds held by third-party trustees consist of irrevocable trusts from which the University is to receive the income in perpetuity. The principal is held in trust by the LCMS Foundation and an unrelated trust company. The principal will never revert to the University. The perpetual stream of income is viewed by the University as promises to give by the individuals who established the trusts and has been recorded at the fair value of the trusts at June 30, 2017 and 2016, which closely approximates the net present value of the perpetual income stream.

Given the nature of the promises, the University recorded these contributions as permanently restricted net assets. Income received is recorded as either unrestricted or temporarily restricted activity based on the presence or absence of donor restrictions. Increases or decreases in the fair value of the trust assets are recorded on the statements of activities as changes in permanently restricted net assets.

NOTE 7 FUNDS HELD BY THIRD-PARTY TRUSTEES (CONTINUED)

The Trust Held at Wells Fargo includes 1,646 acres of farmland in southeastern South Dakota. The land is appraised every three years and was appraised at an average rate of $5,300 per acre, which will remain the value until 2020.

The funds are held by the following third-party trustees at June 30, 2017 and 2016:

	2017	2016
LCMS Foundation	$ 1,166,390	$ 1,078,955
Alive in Christ Endowment	303,865	291,400
Trust Held at Wells Fargo	9,637,213	11,556,500
Total	$ 11,107,468	$ 12,926,855

NOTE 8 OBLIGATIONS UNDER CAPITAL LEASE

As of June 30, 2014, the University entered into three new capital leases for computer network upgrades, laptop computers, and desktop computers. Effective July 29, 2014, the leases were slightly amended. The lease terms range from three to seven years. The University's equipment held under capital leases in the statements of financial position consists of the equipment cost of $2,059,255 for both June 30, 2017 and 2016, respectively. Amortization included in depreciation expense was $428,006 for both years ended June 30, 2017 and 2016 respectively.

Future minimum payments required are as follows:

Year Ending June 30,	Amount
2018	$ 450,084
2019	316,377
2020	105,303
2021	45,057
cy()+5	11,264
Total Capital Lease Obligation	928,085
Payments Representing Interest	(52,244)
Total Principal Payments	$ 875,841

NOTE 9 LONG-TERM DEBT

Bonds Payable

The University issued bonds with the Minnesota Higher Education Facilities Authority (MHEFA) with the original value of $11,480,000 in revenue bonds, Series Five-P1 and Taxable Series Five-P2. In October 2007, the University issued bonds with MHEFA with original value of $18,155,000 in revenue bonds, Series Six-Q. At June 30, 2017 and 2016, the University's payable to MHEFA was $16,494,728 and $18,225,225, respectively, net of the unamortized discount of $65,272 and $94,775, respectively.

Under the terms of the bond indenture, the interest rate varies and is payable on the first of the month. At June 30, 2017 and 2016, the bonds bore an interest rate of .79% and .33%, respectively. The principal portion is due annually on January 1 and is scheduled to mature on April 1, 2037.

Future minimum principal payments, based on the indenture agreement with the MHEFA, are as follows:

Year Ending June 30,	Amount
2018	$ -
2019	125,000
2019	-
2020	-
2021	-
Thereafter	16,435,000
Total Principal Payments	$ 16,560,000

For the years ended June 30, 2017 and 2016, interest totaled $107,294 and $19,565, respectively, on the MHEFA bonds.

Assets pledged as collateral under this bond indenture consist of the library technology center pledges receivable and campus buildings, except for University houses.

The bond indenture contains covenants, including a debt service coverage ratio of at least 1.20 to 1.0 and a net asset growth ratio in relation to the change in the Consumer Price Index. As of June 30, 2017, the University was in compliance with the debt service coverage ratio and the net asset growth ratio.

Funds on deposit with the bond trustee totaling $138,677 and $513,257 at June 30, 2017 and 2016, respectively, represent amounts set aside for future principal and interest payments.

At June 30, 2017, the University has outstanding letters of credit with Bremer Bank for $941,726 and $16,592,597 in relation to the bond issue. At June 30, 2016, the University had outstanding letters of credit with Bremer Bank for $1,919,085 and $16,592,597 in relation to the bond issue.

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Pursuant to the letter of credit reimbursement agreement should there be a failure to remarket the variable rate bonds, proceeds from a draw on the letter of credit will be used to purchase the bonds. However, should the bonds continue to remain un-remarketable, the University would be required to repay the letter of credit within 365 days of the draw. Assuming that the variable rate bonds continue to be remarketed, the scheduled payment column in the above schedule reflects the anticipated payment schedule.

In conjunction with the bonds payable, the University entered into four interest rate swap agreements with U.S. Bank, N.A. (the Swap Provider) in August 2011 with the objective to minimize the risks associated with market rate fluctuations. Pursuant to the terms of the swap agreement, the University pays the Swap Provider interest at fixed rates of 1.68% to 2.76%. The Swap Provider pays the Organization interest at a variable rate equal to the one-month LIBOR Rate, reset monthly and effective the first day of the calculation period. This interest rate swap has the effect of converting the interest rate on the second note from a variable rate to net fixed rates of 1.68% to 2.76%. The swap agreements expire August 1, 2016, 2018 and 2021. As of June 30, 2017 and 2016, the notional amount of the swap agreement was $16,540,000 and $18,520,000, respectively. The fair value of the swap agreement liability at June 30, 2017 and 2016 was $773,420 and $1,456,787, respectively. The change in value in the interest rate swap agreement was $683,367 and $(193,447) as of June 30, 2017 and 2016, respectively. Scheduled due dates on these swap agreements are as follows:

Due Date	Rate	Amount	June 30 Value
8/1/2018	2.23%	$ 3,440,000	$ (48,003)
8/1/2021	2.76%	13,100,000	(725,417)
Total		$ 16,540,000	$ (773,420)

NOTE 10 FOOD SERVICES MANAGEMENT AGREEMENT

On May 2, 2013, the University amended their food services management agreement with Sodexo America LLC (Sodexo). The agreement states that on or about July 1, 2013, Sodexo will provide an amount not to exceed $1 million to be used at the University's discretion. If the agreement terminates or is amended resulting in an adverse economic impact on Sodexo then the University will have to reimburse Sodexo the unamortized portion of the amount. Sodexo shall amortize the $1 million on a straight-line basis over 13 years, commencing July 1, 2013 and continuing through August 1, 2026. Additionally, the University will pay Sodexo $38,500 per year to help pay for part of the amortization of the $1 million. At June 30, 2017 and 2016, the outstanding balance was $692,308 and $769,231, respectively.

NOTE 11 ENVIRONMENTAL REMEDIATION

The University owns several buildings on campus that contain asbestos in various forms. In accordance with accounting standards, management estimated the cost of any potential obligation to remove asbestos to be approximately $468,000. This amount is recorded as a liability on the statement of financial position. The University used a future value rate assumption of 3% and discounted the estimate to present value using a risk-free rate of return of 5%. The potential environmental remediation liability, included in Accounts Payable and Other Liabilities in the statement of financial position, is $304,836 and $288,944 at June 30, 2017 and 2016, respectively.

NOTE 12 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or when specific actions are undertaken by the University. At June 30, 2017 and 2016, temporarily restricted net assets are available for the following specific purposes or time restrictions have been placed on the use of the funds as noted in the following schedule:

	2017	2016
Purpose Restrictions		
Academic Programs:		
Instruction-Divisional	$ 650,159	$ 655,317
Other Instructional Programs	185,019	197,773
Support Programs:		
Academic Support	122,720	121,869
Student Services	64,455	40,416
Instructional Support	1,165,614	1,617,929
Scholarship Allowances (Student Aid)	2,239,076	2,224,543
Land, Building, and Equipment Acquisitions	333,014	452,426
	4,760,057	5,310,273
Time Restrictions	518,073	357,773
Total	$ 5,278,130	$ 5,668,046

NOTE 13 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are subject to donor-imposed restrictions that the principal be invested in perpetuity. Based on donor restrictions, the income from these investments will be used to support the following activities:

	2017	2016
Academic Programs:		
Instruction-Divisional	$ 524,975	$ 516,782
Support Programs:		
Academic Support	2,799,167	2,757,225
Scholarship Allowances (Student Aid)	18,655,262	17,873,602
Unrestricted Operations	15,713,507	17,509,313
Total	$ 37,692,911	$ 38,656,922

NOTE 14 ENDOWMENT

The University has board designated and donor restricted endowment funds established for the purposes of providing income to provide scholarships. As required by U.S. GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of regents of the University has interpreted the State's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as 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 as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with the UPMIFA, the Organization 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 Organization 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 investments.
(6) Other resources of the Organization.
(7) The investment policies of the Organization.

NOTE 14 ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of June 30:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ (85,489)	$ 3,813,858	$ 25,769,763	$ 29,498,132
Board Designated Endowment Funds	1,352,838	-	-	1,352,838
Total Endowment Funds	$ 1,267,349	$ 3,813,858	$ 25,769,763	$ 30,850,970

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ (1,214,981)	$ 3,616,006	$ 24,925,332	$ 27,326,357
Board Designated Endowment Funds	1,244,397	-	-	1,244,397
Total Endowment Funds	$ 29,416	$ 3,616,006	$ 24,925,332	$ 28,570,754

The endowment net assets and activity for 2017 and 2016 consisted of the following:

	Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance - June 30, 2015	$ 745,855	$ 3,743,748	$ 24,059,427	$ 28,549,030
Contributions	-	16,615	829,915	846,530
Earnings:				
Interest and Dividends	26,465	451,604	15,719	493,788
Realized and Unrealized Gains and Losses	(469,849)	58,174	20,271	(391,404)
Total Earnings	(443,384)	509,778	35,990	102,384
Appropriations	(273,055)	(654,135)	-	(927,190)
Endowment Fund Balance - June 30, 2016	29,416	3,616,006	24,925,332	28,570,754
Contributions	50,402	75,433	477,124	602,959
Earnings:				
Interest and Dividends	27,318	463,035	16,187	506,540
Realized and Unrealized Gains and Losses	1,160,213	479,970	351,120	1,991,303
Total Earnings	1,187,531	943,005	367,307	2,497,843
Appropriations	-	(820,586)	-	(820,586)
Endowment Fund Balance - June 30, 2017	$ 1,267,349	$ 3,813,858	$ 25,769,763	$ 30,850,970

NOTE 14 ENDOWMENT (CONTINUED)

Endowment Fund Deficiency

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported as unrestricted net assets were $85,489 and $1,214,981 at June 30, 2017 and 2016 respectively. The deficiency resulted from unfavorable market fluctuations the occurred during 2017 and 2016 and continued appropriation for scholarships that were deemed prudent by the board of regents.

Investment Strategy, Return Objectives, and Risk Parameters

The University invests its endowment fund in a balanced portfolio of debt and equity securities with the objective of preservation of capital and long-term capital appreciation. The balanced portfolio investment return objective is to produce real returns, net of inflation of approximately 5% over time at a moderate level of risk to invested capital.

Spending Policy and How Investment Objectives Relate to Spending

The board of regents approved a 4% spending policy in 2005. Most of the University's endowments were established before the adoption of the spending policy and have specific requirements for spending earnings at various percentage levels and re-investing earnings back into the permanent endowment.

NOTE 15 CONTINGENCY

In the normal course of business, the University has claims made against them. As of June 30, 2017, the amount and likelihood of loss is not determined. The University believes these claims are without merit and intends to vigorously defend the matters.

NOTE 16 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by the occurrence of other events specified by donors. For the years ended June 30, 2017 and 2016, temporarily restricted net assets were released as follows:

	2017	2016
Purpose Restrictions Accomplished		
Academic Programs:		
Instruction-Divisional	$ 101,741	$ 205,370
Other Instructional Programs	37,754	55,619
Support Programs:		
Academic Support	7,813	5,366
Student Services	15,586	6,051
Institutional Support	956,823	458,122
Auxiliary Enterprises		
Scholarship Allowances (Student Aid)	925,142	700,031
Fixed Assets Acquired and Placed in Service	683,186	749,951
Subtotal	2,728,045	2,180,510
Expiration of Time Restrictions	47,899	50,544
Total	$ 2,775,944	$ 2,231,054

NOTE 17 DEFINED BENEFIT PLANS

The University participates in the Concordia Plan Services. Substantially all full-time employees are covered by these retirement and survivor programs. The University contributes a fixed percentage of each participant’s salary to the plans. Retirement and survivor program expenses for the years ended June 30, 2017 and 2016 totaled $1,506,306 and $1,416,567, respectively.

NOTE 18 FAIR VALUE MEASUREMENTS

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the University values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets and liability of the University measured at fair value on a recurring basis as of June 30:

	2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds - Equities	$ 3,129,323	$ -	$ -	$ 3,129,323
Mutual Funds - Fixed Income	533,322	-	-	533,322
Real Estate	120,243	-	8,898,830	9,019,073
Commodities	-	-	-	-
LCMS Endowment Funds	49,920	-	1,470,254	1,520,174
Complementary Strategies	-		-	-
Funds with CUS	-	-	5,597,225	5,597,225
LCEF Funds	-	-	8,407,858	8,407,858
Trusts and Annuities Receivables	-	-	1,023,104	1,023,104
Liabilities:				-
Interest Rate Swap Agreement	-	(773,420)	-	(773,420)
Total	$ 3,832,808	$ (773,420)	$ 25,397,271	$ 28,456,659

	2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds - Equities	$ 2,524,264	$ -	$ -	$ 2,524,264
Mutual Funds - Fixed Income	425,825	-	-	425,825
Real Estate	173,671	-	10,867,634	11,041,305
Commodities	62,266	-	-	62,266
LCMS Endowment Funds	-	-	1,370,355	1,370,355
Complementary Strategies	-	-	-	-
Funds with CUS	-	-	5,993,646	5,993,646
LCEF Funds	-	-	8,211,916	8,211,916
Trusts and Annuities Receivables	-	-	890,405	890,405
Liabilities:				
Interest Rate Swap Agreement	-	(1,456,787)	-	(1,456,787)
Total	$ 3,186,026	$ (1,456,787)	$ 27,333,956	$ 29,063,195

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets

The following table provides summary of changes in fair value of the University's Level 3 financial assets for the years ended June 30:

	Real Estate	LCMS Endowment Funds	Funds With CUS	LCEF Funds	Trusts and Annuities Receivables	Total
Balances - July 1, 2016	$ 10,867,633	$ 1,370,355	$ 5,993,646	$ 8,211,916	$ 890,406	$ 27,333,956
Net Realized and Unrealized Gains (Losses) on Investments	(1,968,803)	99,899	38,250	195,941	132,698	(1,502,015)
Purchases of Investments	-	-	44,118	-	-	44,118
Proceeds from Sales of Investments	-	-	(478,788)	-	-	(478,788)
Balances - June 30, 2017	$ 8,898,830	$ 1,470,254	$ 5,597,226	$ 8,407,857	$ 1,023,104	$ 25,397,271
Balances - July 30, 2015	$ 10,853,188	$ 1,184,217	$ 4,444,636	$ 6,064,309	$ 948,124	$ 23,494,474
Net Realized and Unrealized Gains (Losses) on Investments	14,445	(33,467)	-	-	(57,718)	(76,740)
Purchases of Investments	-	219,605	2,090,299	2,147,607	-	4,457,511
Proceeds from Sales of Investments	-	-	(541,289)	-	-	(541,289)
Balances - June 30, 2016	$ 10,867,633	$ 1,370,355	$ 5,993,646	$ 8,211,916	$ 890,406	$ 27,333,956

The University elected to apply the concepts of Accounting Standard *Investment in Certain Entities that Calculate Net Asset Value per Share*, to its Level 3 investments. The guidance states that "if a reporting entity has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date, the fair value measurement of the investment shall be categorized as a Level 2 fair value measurement."

Fair value measurements of investments in certain funds that calculate net asset value per share (or its equivalent) as of June 30 is as follows:

		2017		
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds - Equities	$ 12,845,654	$ -	Monthly	Monthly
Mutual Funds - Fixed Income	12,555,627	-	Monthly	Monthly
Total	$ 25,401,281	$ -		

		2016		
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds - Equities	$ 11,878,184	$ -	Monthly	Monthly
Mutual Funds - Fixed Income	11,153,293	-	Monthly	Monthly
Total	$ 23,031,477	$ -		

Mutual Funds – Equities – invests primarily in the U.S. equity market and non-U.S. global equity market.

Mutual Funds – Fixed Income – invests primarily in investment grade, aggregate U.S. bond market and the BB/B noninvestment grade U.S. bond market.

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

Financial Instruments

The University's financial instruments are cash and cash equivalents, accounts receivable, pledges receivable, investments, deposits with bond trustees, accounts payable, and long-term debt. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The carrying value of contributions receivable is based on discounted cash flows, which approximates fair value at June 30, 2017 and 2016, respectively. Investments and deposits with bond trustees are carried at fair value. The fair value of the interest rate swap agreements are estimated using pricing models, quoted prices of agreement with similar characteristics. The fair value of the University's long-term debt is estimated based on the current rates offered to the University for debt of similar terms and maturities. Under this method, the carrying value of the University's long-term debt approximates fair value at June 30, 2017 and 2016, respectively. The fair value of the University's long-term debt approximates fair value because the debt's interest rates are variable.

NOTE 19 OPERATING LEASES

Concordia University entered into an operating lease agreement for office space beginning on January 1, 2016. The lease has a 60-month term and expires on December 31, 2020. Concordia University entered into an operating lease agreement for additional office space beginning September 1, 2016. The lease has a 120-month term and expires on August 31, 2026. The previous lease entered into on January 1, 2016 was amended to include additional office space beginning on January 1, 2017. Only one suite included in the lease began payments in January. The lease has a 120-month term and expires on December 31, 2026. The remaining two suites included in the lease began payments on August 1, 2017. The lease has a 120-month term and expires on July 31, 2027. Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2018	$ 478,475
2019	510,258
2020	525,337
2021	542,228
2022	552,778
Thereafter	2,651,419
Total	$ 5,260,495

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients		Expenditures
STUDENT FINANCIAL AID ASSISTANCE CLUSTER:					
U.S. Department of Education					
Federal Work Study Program	84.033		-	$	229,971
Federal Supplemental Educational Opportunity Grants	84.007		-		185,512
Federal Pell Grant Program	84.063		-		3,587,975
Federal Perkins Loans - Beginning Balance	84.038		-		3,244,339
Federal Perkins Loans - Loans Issued in 2017	84.038				211,409
Federal Direct Loan Program	84.268		-		33,213,782
Teacher Education Assistance for College and Higher Education Grant Program	84.379		-		120,404
Total Student Financial Aid Cluster					40,793,392
U.S. Department of Health & Human Services					
Passed Through State of Minnesota					
Center for Inclusive Childcare / Race to the Top	84.412		-		130,500
MN Child Care Professional Development System	93.575				280,551
DHS Health Safety Coaching Model	93.575				275,381
MN Child Care Professional Development System	93.575		-		98,383
Total Expenditures of Federal Awards				$	41,578,207

See Note to Schedule of Expenditures of Federal Awards.

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the 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 2 CFR 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 the University, it is not intended to and does not present the financial position, statement of activities, or cash flows of the University.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The University has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 FEDERAL STUDENT LOAN PROGRAMS

The federal student loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's basic 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:

Program Title	CFDA Number	Amount Outstanding
Federal Perkins Loan Program	84.038	$ 2,847,810

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Regents
Concordia University, St. Paul
St. Paul, Minnesota

We have audited, in accordance with the 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 financial statements of Concordia University, St. Paul which comprise the 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 October 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Concordia University, St. Paul's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Concordia University, St. Paul's internal control. Accordingly, we do not express an opinion on the effectiveness of Concordia University, St. Paul'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Concordia University, St. Paul's financial statements are free from 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 result of that testing, and not to provide an opinion on the effectiveness of Concordia University, St. Paul's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Concordia University, St. Paul's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 12, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GRANT GUIDANCE

Board of Regents
Concordia University, St. Paul
St. Paul, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Concordia University, St. Paul's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Concordia University, St. Paul's major federal programs 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 Concordia University, St. Paul'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 Organization's compliance.

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Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on this major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questions costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 an 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 Organization'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 a 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Board of Regents
Concordia University, St. Paul

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 12, 2017

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued:	Unmodified	
2. Internal control over financial reporting:		
• Material weakness(es) identified?	____ yes	x no
• Significant deficiency(ies) identified?	____ yes	x none reported
3. Noncompliance material to financial statements noted?	____ yes	x no

Federal Awards

1. Internal control over major federal programs:		
• Material weakness(es) identified?	____ yes	x no
• Significant deficiency(ies) identified?	x yes	____ none reported
2. Type of auditors' report issued on compliance for major federal programs:	Unmodified	
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	x yes	____ no

Identification of Major Federal Programs

Program	CFDA Number
Student Financial Aid Cluster:	
Federal Work Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Pell Grant Program	84.063
Federal Perkins Loans	84.038
Federal Direct Loan Program	84.268
Teacher Education Assistance for College and Higher Education Grant Program	84.379

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	x yes	____ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2017 – 001

Federal agency: U.S. Department of Education

Federal program title: Student Financial Aid

CFDA Number: Student Financial Aid Cluster

Award Period: July 1, 2016 – June 30, 2017

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Based on Department of Education (DOE) guidelines, any outstanding refunds to students outstanding for greater than 240 days are required to be turned over to the DOE.

Condition: During our testing, we discovered 26 student refund checks, which included federal funds, were outstanding for greater than 240 days.

Questioned costs: $47,627.94

Context: During our testing, it was noted that the University is not returning outstanding checks greater than 240 days to the DOE.

Cause: The University does not have a system in place to identify student refund checks outstanding in excess of 240 days.

Effect: The University is not in compliance with the DOE requirement to return to the DOE all outstanding student refund checks including federal dollars outstanding for greater than 240 days.

Repeat Finding: No

Auditor's Recommendation:
We recommend the University put a procedure in place to identify and properly turn over all student refund checks that include federal dollars that are outstanding greater than 240 days.

Views of responsible officials:
Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

Department of Education

Concordia University, St. Paul respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2017.

Audit period: July 01, 2016 to June 30, 2017

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT
There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2016 – 001 Enrollment Reporting to NSLDS
Condition: During our testing, we noted that the National Student Loan Data Systems (NSLDS) rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days. The University utilizes the National Student Clearinghouse (NSC) as a third-party provider in order to submit student information to NSLDS. NSC had software conversion issues that failed in monitoring and correcting submission errors.

Status: Corrective action was taken.

2016 – 002 Enrollment Reporting to NSLDS
Condition: During our testing, we noted that for 3 out of 25 students tested the University was unable to provide support that they reported to the Department of Education within the 15 day requirement.

Status: Corrective action was taken.

If the Department of Education has questions regarding this schedule, please call Michael Dorner at 651-641-8811.