



Independent Auditor's Reports and Consolidated Financial Statements  
June 30, 2016 and 2015

**Colorado Christian University and  
CCU Endowment Foundation**  
June 30, 2016 and 2015

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## Independent Auditor's Report

Board of Trustees  
Colorado Christian University and  
CCU Endowment Foundation  
Lakewood, Colorado

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Colorado Christian University (the University), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these consolidated 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 consolidated financial statements are free from material misstatement.

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

Board of Trustees  
Colorado Christian University and  
CCU Endowment Foundation

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

### ***Opinions***

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

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

The 2015 financial statements, before they were restated for the matter discussed in Note 3, were audited by other auditors and their report thereon, dated October 12, 2015, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**BKD, LLP**

Denver, Colorado  
October 10, 2016

**Colorado Christian University and  
CCU Endowment Foundation**  
**Consolidated Statements of Financial Position**  
**June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 35,236,500	\$ 33,677,701
Restricted assets	2,000,000	2,000,000
Accounts receivable, net	8,503,664	5,564,760
Investments	17,511,137	18,343,351
Prepaid expenses and other assets	2,837,228	308,265
Perkins notes receivable, net	227,285	225,981
Contributions receivable	-	700,000
Notes receivable, net	3,465,726	1,723,549
Debt issuance costs, net	305,009	336,924
Assets held for endowment fund	3,958,741	4,097,316
Property and equipment, net	68,430,818	64,235,584
Total assets	\$ 142,476,108	\$ 131,213,431
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,361,124	\$ 2,762,724
Accrued expenses	2,311,910	1,680,518
Deposits held	243,313	275,997
Deferred revenue - tuition	4,401,403	3,556,619
Deferred revenue - real estate	2,949,013	-
Construction costs payable	1,179,187	3,934,873
Notes payable	37,632,694	32,932,633
Advances from federal government for student loans	155,639	316,735
	50,234,283	45,460,099
<b>Net Assets</b>		
Unrestricted		
Equity in property and equipment	29,923,946	27,705,002
Quasi-endowment	252,615	252,015
Board-designated	-	1,500,000
Operating	52,410,936	47,653,516
	82,587,497	77,110,533
Temporarily restricted	6,292,446	5,431,737
Permanently restricted	3,361,882	3,211,062
	92,241,825	85,753,332
Total liabilities and net assets	\$ 142,476,108	\$ 131,213,431

**Colorado Christian University and  
CCU Endowment Foundation**  
Consolidated Statements of Activities  
Years Ended June 30, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating</b>								
<b>Revenue and Support</b>								
Tuition and fees	\$ 74,075,890	\$ -	\$ -	\$ 74,075,890	\$ 62,820,783	\$ -	\$ -	\$ 62,820,783
Scholarships and grants	(18,147,459)	-	-	(18,147,459)	(14,525,237)	-	-	(14,525,237)
	55,928,431	-	-	55,928,431	48,295,546	-	-	48,295,546
State grants	1,480,827	-	-	1,480,827	1,363,194	-	-	1,363,194
Federal grants	352,897	-	-	352,897	316,352	-	-	316,352
Contributions	1,389,355	665,289	-	2,054,644	694,631	1,486,760	-	2,181,391
Auxiliary services	8,128,434	-	-	8,128,434	6,808,487	-	-	6,808,487
Interest and dividends	41,590	-	-	41,590	14,357	-	-	14,357
Other income	526,737	735	-	527,472	1,572,563	-	-	1,572,563
Total revenue and support	67,848,271	666,024	-	68,514,295	59,065,130	1,486,760	-	60,551,890
<b>Net Assets Released</b>								
Purpose restrictions	3,332,451	(3,332,451)	-	-	14,480,271	(14,480,271)	-	-
<b>Expenses</b>								
Program services								
Instruction	16,139,237	-	-	16,139,237	16,753,942	-	-	16,753,942
Academic support	4,033,032	-	-	4,033,032	4,414,414	-	-	4,414,414
Student services	17,828,459	-	-	17,828,459	15,289,271	-	-	15,289,271
Auxiliary enterprises	8,946,975	-	-	8,946,975	4,909,833	-	-	4,909,833
Public service	863,899	-	-	863,899	4,304,070	-	-	4,304,070
	47,811,602	-	-	47,811,602	45,671,530	-	-	45,671,530
Supporting activities								
General and administrative	16,197,577	-	-	16,197,577	12,104,154	-	-	12,104,154
Fund raising	1,812,832	-	-	1,812,832	1,021,251	-	-	1,021,251
	18,010,409	-	-	18,010,409	13,125,405	-	-	13,125,405
Total expenses	65,822,011	-	-	65,822,011	58,796,935	-	-	58,796,935
<b>Change in Net Assets from Operations</b>	5,358,711	(2,666,427)	-	2,692,284	14,748,466	(12,993,511)	-	1,754,955
<b>Nonoperating</b>								
Contributions	601	3,607,459	150,820	3,758,880	-	16,093,749	185,499	16,279,248
Investment income (loss)	215,992	(80,323)	-	135,669	65,568	37,034	-	102,602
Loss on sale of property and equipment and real estate investments	(94,733)	-	-	(94,733)	(529,329)	-	-	(529,329)
Other income	-	-	-	-	107,905	-	-	107,905
Nonoperating expenses	(3,607)	-	-	(3,607)	(328,655)	-	-	(328,655)
<b>Change in Net Assets</b>	5,476,964	860,709	150,820	6,488,493	14,063,955	3,137,272	185,499	17,386,726
<b>Net Assets, Beginning of Year</b>	77,110,533	5,431,737	3,211,062	85,753,332	63,046,578	2,294,465	3,025,563	68,366,606
<b>Net Assets, End of Year</b>	<u>\$ 82,587,497</u>	<u>\$ 6,292,446</u>	<u>\$ 3,361,882</u>	<u>\$ 92,241,825</u>	<u>\$ 77,110,533</u>	<u>\$ 5,431,737</u>	<u>\$ 3,211,062</u>	<u>\$ 85,753,332</u>

**Colorado Christian University and  
CCU Endowment Foundation**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015 (As Restated)</b>
<b>Operating Activities</b>		
Change in net assets	\$ 6,488,493	\$ 17,386,726
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	2,747,799	2,102,118
Net realized and unrealized loss on investments	200,918	489,634
Net realized and unrealized loss (gain) on property held for investment	(136,370)	529,329
Write-off of debt issuance costs	-	290,512
Loss on disposals of property and equipment	231,103	21,872
Contributions restricted for long-term purposes	(3,758,880)	(16,279,248)
Changes in operating assets and liabilities		
Accounts receivable	(2,938,904)	(231,724)
Prepaid expenses and other assets	(1,744,290)	265,135
Contributions receivable	700,000	(700,000)
Accounts payable	(1,401,600)	1,505,270
Accrued expenses	617,720	126,598
Deposits held	(32,684)	(6,566)
Deferred revenue	844,784	(496,832)
	<u>1,818,089</u>	<u>5,002,824</u>
<b>Investing Activities</b>		
Purchases of investments and assets held for endowment fund	(15,836,339)	(15,550,720)
Proceeds from sales of investments and assets held for endowment fund	16,225,867	15,643,449
Collections on notes receivable	938,876	3,799,816
Purchases of property and equipment	(9,884,235)	(23,924,850)
Net Perkins loans transactions	(162,400)	(13,257)
Payments for debt issuance costs	-	(360,861)
	<u>(8,718,231)</u>	<u>(20,406,423)</u>

**Colorado Christian University and  
CCU Endowment Foundation**  
**Consolidated Statements of Cash Flows (continued)**  
**Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015 (As Restated)</b>
<b>Financing Activities</b>		
Contributions restricted for long-term purposes	3,758,880	16,279,248
Proceeds from notes payable	6,159,691	24,275,305
Principal payments on notes payable	(1,459,630)	(907,677)
Payments on property development payable	-	(1,600,630)
Net cash provided by financing activities	8,458,941	38,046,246
<b>Net Change in Cash and Cash Equivalents</b>	1,558,799	22,642,647
<b>Cash and Cash Equivalents, Beginning of Year</b>	33,677,701	11,035,054
<b>Cash and Cash Equivalents, End of Year</b>	\$ 35,236,500	\$ 33,677,701
<b>Supplemental Disclosures</b>		
Interest paid (\$0 and \$139,369 capitalized for the years ended June 30, 2016 and 2015, respectively)	\$ 1,423,815	\$ 759,949
Property and equipment capitalized, but not yet paid for	\$ 1,179,187	\$ 3,934,873
Notes receivable issued from sale of real estate investments	\$ 3,465,726	\$ -
Deferred gain related to sale of real estate investments	\$ 2,949,013	\$ -

# Colorado Christian University and CCU Endowment Foundation

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

### Note 1: Nature of Organizations

Colorado Christian University (CCU) is a religious institution whose mission is to serve God by providing Christ-centered higher education. CCU is the combined heritage of Denver Bible Institute (founded in 1914), Rockmont College, Western Bible College, and Colorado Baptist University. CCU continues to enable students to pursue a Christ-centered undergraduate and graduate education in an institution of higher education that integrates biblical concepts with the academic and student life programs.

CCU offers various undergraduate and graduate degree programs throughout the state of Colorado, including Lakewood, Northglenn, Englewood, Grand Junction, Colorado Springs, Loveland, and Online.

CCU Endowment Foundation (the Foundation) exists to serve CCU by holding all permanently endowed funds. The Foundation is not a private foundation under Section 509(a) of the Internal Revenue Code (the Code). The Foundation is consolidated with CCU as CCU exercises both control and economic interest over the Foundation and the Foundation qualifies as a supporting organization to CCU.

Colorado Christian University and CCU Endowment Foundation (collectively, the University) are not-for-profit organizations exempt from income taxes under Section 501(c)(3) of the Code and comparable state law. Contributions to the University are tax deductible within the limitations prescribed by the Code. CCU has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

### Note 2: Summary of Significant Accounting Policies

The University maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

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

The consolidated financial statements include the consolidated financial resources and activities of CCU and the Foundation. All material transactions and balances between CCU and the Foundation have been eliminated in the consolidation.

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

***Cash and Cash Equivalents***

For purposes of the consolidated statements of cash flows, the University considers all highly liquid debt instruments with original maturities less than three months, not included in restricted assets or assets held for endowment funds, to be cash and cash equivalents. At June 30, 2016, the University's cash accounts classified as cash and cash equivalents, restricted assets, and assets held for endowment fund, exceeded federally insured limits by approximately \$38,284,000. Historically, however, the University has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk.

***Restricted Assets***

The restricted assets consist of cash and cash equivalents. The balance represents a reserve fund required by the lender of the note payable as of June 30, 2016 and 2015. The assets held in this reserve fund cannot be used for operating purposes.

***Accounts Receivable***

Accounts receivable consists primarily of amounts due from students for tuition and fees and is net of an allowance for doubtful accounts of \$1,229,000 as of June 30, 2016 and 2015. Management's estimate of uncollectible accounts was based upon an analysis of past due accounts, which took into consideration historical collections. Student accounts are due by the first day of each term. Accounts receivable not paid by the first day of the semester are considered past due. Accounts not paid in full by the end of the term are considered delinquent. Interest is charged at 1.5% per month on the delinquent balance due for all past due and delinquent accounts. Approximately 90 days after the end of each semester, student accounts are turned over to a collection agency. At that point, interest charges are accrued by the collection agency and are only recorded by the University if/when payment is made. Accounts are written off when all methods to collect have been exhausted and total approximately \$620,000 and \$440,000 during 2016 and 2015, respectively. The University classifies this interest income as tuition and fees.

***Conditional Promises to Give***

Over the past few years, the University has engaged in a capital campaign, known as Faith|Family|Freedom, to raise contributions to fund the campus development project. The University has received good faith promises of specified amounts to support these campaign projects. These good faith promises are open-ended and subject to unilateral change by the donor. They are not considered to be unconditional promises to give and, therefore, are not recognized prior to receipt of the contribution.

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

***Investments***

Investments in debt and equity securities and fixed income funds are stated at fair value. Investments in land, buildings, and related improvements are stated at the lower of cost or market. In the event land, buildings, and related improvements which were initially acquired as investments, are subsequently used to support current operations, such land, buildings, and related improvements, are reclassified from investments to property and equipment in the year in which they are first used to support current operations. At June 30, 2015, the alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a readily available market for these investments existed.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. 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 possible that the value of the University's investments and total net assets balance could fluctuate materially.

The University maintains a custody account with its primary custodian. Although the University monitors this custodian and believes that it is an appropriate custodian, there is no guarantee that this custodian, or any other custodian that the University may use from time to time, will not become insolvent. The University believes that, in the event of the insolvency of its custodian, some of the University's assets may be unavailable for a period of time, but that it would ultimately have full recovery of its assets.

Unrealized gains or losses in fair value are recognized in the year in which they occur.

***Contributions Receivable***

Contributions receivable consists of unconditional promises to give from two individuals as of June 30, 2015. The entire balance was collected during 2016. There were no contributions receivable as of June 30, 2016.

***Property and Equipment***

Property and equipment are stated at cost or, if donated, at fair value on the date of donation. Property donated with restrictions regarding its use and contributions of cash to acquire property and equipment are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 60 years. Fixed asset purchases in excess of \$5,000 are capitalized, with the exception of building improvements. Building improvements in excess of \$20,000 are capitalized.

# Colorado Christian University and CCU Endowment Foundation

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

### **Perkins Loan Funds**

Loans made to students under the National Direct Student Loan Act (Perkins loans) are not due for repayment until subsequent to graduation and may be cancelable through teaching, military service, death, or bankruptcy. The Perkins notes receivable is shown net of an allowance for doubtful accounts of \$85,000 as of June 30, 2016 and 2015. These loans are reflected as assets in the consolidated statements of financial position. Delinquent loans are computed using a historical default rate. Loans in default assigned to the U.S. Department of Education are charged to the allowance in the year in which they are assigned. Loans are written off when all methods to collect have been exhausted. A prorated portion of the federal contributions may be refundable to the federal government in the future and is shown as a liability.

### **Classes of Net Assets**

The net assets of the University are reported in the following three classes:

*Unrestricted net assets* represent those net assets whose use is not restricted by the donors; however, their use may be limited by board designation. Included in unrestricted net assets are resources that are used to support current operations, including property and equipment. Board-designated amounts represent a reserve fund that is segregated for quasi-endowed funds. Board-designated amounts are not available to management for operations.

*Temporarily restricted net assets* include donor-restricted contributions for specified exempt purposes.

*Permanently restricted net assets* are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income can be utilized.

The management of the University has interpreted the Colorado 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 permanent restricted net assets (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. This will then have the permanently restricted net assets reflect the historical cost value of the endowment. All gains will be added to the temporarily restricted net assets until which time a determination is made as to its disposition. If there are capital losses, those losses will go first against the temporarily restricted endowment funds, and then be recorded in the unrestricted net asset category. All future gains will go first to cover those losses before returning to the temporarily restricted net asset category.

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

*Spending policies and how the investment objectives relate to spending policy:* The University has a policy of appropriating for distribution each year generally five percent of its endowment fund's balance as of the prior calendar year-end. In establishing this policy, the University considered the long-term expected return on its endowment investments. The primary investment objective of endowment funds is to follow those policies that will preserve the principal value, provide predictable income, and, to the extent possible with prudence, to increase the principal to offset the long-term effects of inflation. Accordingly, over the long-term, the University expects the current spending policy to allow its endowment to grow on an annual basis. Actual results in any given year may vary.

***Revenue and Support***

Tuition and fees income is recorded when earned or once students can no longer receive a refund for a class. Auxiliary services consists primarily of food services income and housing fees. These amounts are recorded at the beginning of each semester, which is when they are considered earned, as refunds are rarely given once the semester begins. Other income consists primarily of event revenue (sporting events and facility rental), sales, and concessions income. Other income is recorded when earned.

Contributions restricted by the donor for a specific purpose are recorded as support in the temporarily restricted class of net assets until funds have been expended by the University for the purpose specified. Upon satisfaction of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Noncash contributions are recorded at the estimated fair value on the date of donation.

***Government Grants***

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

***Expenses and Functional Allocation of Expenses***

Expenses are reported when incurred. The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the programs and supporting activities benefited.

# Colorado Christian University and CCU Endowment Foundation

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

### ***Uncertain Tax Positions***

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of June 30, 2016, the University had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

### **Note 3: Restatement of Prior Years' Financial Statements**

In prior years, the University classified the payment of construction costs payable as an operating activity on the consolidated statements of cash flows. During 2016, the University retroactively changed its classification of these cash outflows as investing activities, in accordance with Accounting Standards Codification 230-10. This change in classification had no effect on the change in net assets.

The following consolidated financial statement line items for the year ended June 30, 2015 were affected by the change in classification.

	<b>As Restated</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Statement of Cash Flows</b>			
Operating Activities			
Construction costs payable	\$ -	\$ (4,038,765)	\$ 4,038,765
Net cash provided by operating activities	5,002,824	964,059	4,038,765
Investing Activities			
Purchases of property and equipment	(23,924,850)	(19,886,085)	(4,038,765)
Net cash used in investing activities	(20,406,423)	(16,367,658)	(4,038,765)

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

**Note 4: Investments**

Investments consist of:

	<b>2016</b>	<b>2015</b>
Corporate bond mutual funds	\$ 9,890,128	\$ 9,552,776
Municipal/provincial bonds	397,165	378,659
Alternative and other investments	-	12,434
Real estate, held at lower of cost or fair value	7,223,844	8,399,482
	<b>\$ 17,511,137</b>	<b>\$ 18,343,351</b>

The alternative investments include investments totaling \$0 and \$12,434 as of June 30, 2016 and 2015, respectively, that are held in a hedge fund (the Fund). The Fund operated as a “Fund-of-Funds,” investing in a group of funds or other pooled investment vehicles (Sub-Funds). The Sub-Funds included certain types of financial instruments, including, among others, futures and forward contracts, options, and swaps, intended to hedge against changes in market value of investments. These financial instruments, which involved varying degrees of off-balance sheet risk, may result in losses due to changes in the market. The final closure of this investment was completed in July 2015.

Included in real estate of \$7,223,844 and \$8,399,482 at June 30, 2016 and 2015, respectively, is an investment in real estate known as Lyon’s Ridge, which has a balance of \$6,499,458 and \$7,459,596 at June 30, 2016 and 2015, respectively. The University hired the expertise of a local developer to re-plat and subdivide the property into saleable residential lots which are in turn sold in groups to home builders. During this process, the University incurred an obligation to the local developer of \$1,606,630 which was paid during 2015 through the sale of lots. During the year ended June 30, 2016, additional lots were sold resulting in notes receivable of \$3,465,726 and deferred revenue of \$2,949,013 as of June 30, 2016. Based on accounting standards, the gain on the 2016 sale is required to be deferred until a certain percentage of cash is received.

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

Nonoperating investment income consists of:

	<u>2016</u>	<u>2015</u>
Net realized and unrealized gain on alternative investments	\$ -	\$ 9,744
Interest and dividends on investment accounts	336,587	592,236
Net realized and unrealized loss and on other investments	<u>(200,918)</u>	<u>(499,378)</u>
	<u>\$ 135,669</u>	<u>\$ 102,602</u>

**Note 5: Notes Receivable**

Notes receivable consist of:

	<u>2016</u>	<u>2015</u>
Notes receivable from sale of Lyon's Ridge lots, net of related lot development costs. Payments are due as the related lot development costs are completed. No interest is charged on the notes. Notes are secured by a letter of credit from a mortgage corporation.	\$ 3,465,726	\$ -
Notes receivable from sale of Lyon's Ridge lots, net of related lot development costs. Payments were due as the related lot development costs were completed, with final maturity in March 2016. No interest was charged on the notes unless there was an event of default at which time interest was due at bank prime plus 5%. Notes were secured by the underlying lots. Notes matured during 2016.	<u>-</u>	<u>1,723,549</u>
	<u>\$ 3,465,726</u>	<u>\$ 1,723,549</u>

# Colorado Christian University and CCU Endowment Foundation

## Notes to Consolidated Financial Statements June 30, 2016 and 2015

### Note 6: Assets Held for Endowment Fund

Assets held for endowment fund consist of:

	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 524,120	\$ 515,269
Corporate bond mutual funds	1,034,641	1,025,278
Other investments	123,422	113,621
Equity securities and mutual funds	2,276,558	2,443,148
	<b>\$ 3,958,741</b>	<b>\$ 4,097,316</b>

The endowment net asset composition by type of fund as of June 30, 2016:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 305,694	\$ 3,361,882	\$ 3,667,576
Surplus in quasi-endowment funds	38,550	-	-	38,550
Board-designated, quasi-endowment funds	252,615	-	-	252,615
	<b>\$ 291,165</b>	<b>\$ 305,694</b>	<b>\$ 3,361,882</b>	<b>\$ 3,958,741</b>

Changes in endowment net assets for the year ended June 30, 2016:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 309,642	\$ 576,612	\$ 3,211,062	\$ 4,097,316
Investment loss	(18,477)	(141,360)	-	(159,837)
Dividends and interest	-	61,037	-	61,037
Contributions	-	-	150,820	150,820
Released from restrictions	-	(190,595)	-	(190,595)
Endowment net assets, end of year	<b>\$ 291,165</b>	<b>\$ 305,694</b>	<b>\$ 3,361,882</b>	<b>\$ 3,958,741</b>

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

The endowment net asset composition by type of fund as of June 30, 2015:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 576,612	\$ 3,211,062	\$ 3,787,674
Surplus in quasi-endowment funds	57,627	-	-	57,627
Board-designated, quasi-endowment funds	252,015	-	-	252,015
	<u>\$ 309,642</u>	<u>\$ 576,612</u>	<u>\$ 3,211,062</u>	<u>\$ 4,097,316</u>

Changes in endowment net assets for the year ended June 30, 2015:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 334,597	\$ 726,050	\$ 3,025,563	\$ 4,086,210
Investment loss	(24,955)	(28,858)	-	(53,813)
Dividends and interest	-	65,892	-	65,892
Contributions	-	-	185,499	185,499
Released from restrictions	-	(186,472)	-	(186,472)
Endowment net assets, end of year	<u>\$ 309,642</u>	<u>\$ 576,612</u>	<u>\$ 3,211,062</u>	<u>\$ 4,097,316</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. No deficiencies of this nature are reported in unrestricted net assets as of June 30, 2016 and 2015.

**Colorado Christian University and  
CCU Endowment Foundation**  
Notes to Consolidated Financial Statements  
June 30, 2016 and 2015

**Note 7: Property and Equipment – Net**

Property and equipment - net consist of:

	<u>2016</u>	<u>2015</u>
Land	\$ 7,908,496	\$ 7,908,496
Buildings and improvements	60,800,745	38,698,455
Equipment and furnishings	14,623,212	13,124,723
Library books	<u>2,371,370</u>	<u>2,292,962</u>
	85,703,823	62,024,636
Accumulated depreciation	<u>(22,321,064)</u>	<u>(20,178,021)</u>
	63,382,759	41,846,615
Projects and construction in progress	<u>5,048,059</u>	<u>22,388,969</u>
	<u>\$ 68,430,818</u>	<u>\$ 64,235,584</u>

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

**Note 8: Notes Payable**

Notes payable consist of:

	<b>2016</b>	<b>2015</b>
Note payable to a financial institution, payable in monthly principal and interest installments of \$158,164, with interest calculated at 3.80%. The note is secured by property and equipment and matures March 2028.	\$ 17,911,307	\$ 19,092,324
Note payable to a financial institution, secured by property and equipment. The note bears interest at 3.95% with interest only payments during the construction period, which ended September 2015 with a draw to the full value of \$20,000,000, at which time the construction loan was converted to a note payable with principal and interest payments of \$97,281 with interest calculated at 3.95%. The note matures September 2024.	19,721,387	13,840,309
	<b>\$ 37,632,694</b>	<b>\$ 32,932,633</b>

The below table represents future minimum payments on the outstanding note payable balance at June 30, 2016:

2017	\$ 1,613,902
2018	1,677,798
2019	1,744,225
2020	1,809,857
2021	1,884,936
Thereafter	28,901,976
	<b>\$ 37,632,694</b>

The University was in compliance with all financial and reporting covenants at June 30, 2016 and 2015.

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

The University has an operating line of credit with a financial institution, secured by certain investments of the University. The total amount available to the University is \$6,000,000. There were no outstanding draws at June 30, 2016 and 2015. The line of credit matures on November 28, 2016.

**Note 9: Equity in Property and Equipment**

Equity in property and equipment consists of:

	<u>2016</u>	<u>2015</u>
Property and equipment - net	\$ 68,430,818	\$ 64,235,584
Debt issuance costs - net	305,009	336,924
Construction costs payable	(1,179,187)	(3,934,873)
Related note payable	<u>(37,632,694)</u>	<u>(32,932,633)</u>
	<u>\$ 29,923,946</u>	<u>\$ 27,705,002</u>

**Note 10: Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of:

	<u>2016</u>	<u>2015</u>
Campus development	\$ 5,500,437	\$ 4,355,756
Endowment earnings	305,694	576,612
Education	102,557	111,435
Scholarships	156,892	166,304
Other	<u>226,866</u>	<u>221,630</u>
	<u>\$ 6,292,446</u>	<u>\$ 5,431,737</u>

# Colorado Christian University and CCU Endowment Foundation

## Notes to Consolidated Financial Statements June 30, 2016 and 2015

### Note 11: Defined Contribution Plan

The University has established a defined contribution plan (the Plan) covering eligible employees. Full-time employees become eligible the first day of the month following their month of hire. Part-time employees become eligible once they have worked 1,000 or more hours. Staff who are exclusively affiliate faculty are not eligible to participate in the Plan. Under this tax-sheltered 403(b) annuity plan, participants can contribute pre-tax earnings toward their retirement. The employee may choose to have a percentage of payroll withheld as a contribution to the Plan, and the University will match up to 5%. Employer contributions for the years ended June 30, 2016 and 2015, were \$795,098 and \$722,227, respectively.

### Note 12: Operating Leases

The University leases office space in various locations in Colorado and has various equipment under non-cancelable leases. Rent expense for the years ended June 30, 2016 and 2015 was \$1,940,972 and \$2,108,859, respectively. Future minimum lease payments under these leases as of June 30, 2016 are:

2017	\$ 1,526,957
2018	781,071
2019	613,528
2020	627,554
2021	215,129
	<hr/>
	<u>\$ 3,764,239</u>

### Note 13: Self-insured Medical Plan

The University provides medical benefits (hospital, surgical, major medical, and prescriptions) through a self-insured medical plan. A “stop-loss” policy is maintained with an independent insurance carrier in order to limit the exposure for claims. This policy covers claims for an individual occurrence in excess of \$75,000 and aggregate claims in excess of a predetermined amount for any plan calendar year. The financial resources of this plan are included in these consolidated financial statements. Included in accrued expenses on the consolidated statements of financial position are liabilities of \$258,854 and \$215,986 as of June 30, 2016 and 2015, respectively, which represents estimated claims incurred but not paid as of year-end.

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

**Note 14: Fair Value Measurements**

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

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

The University uses appropriate valuation techniques to determine fair value based on inputs available. When available, the University measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

Fair values of investments, assets held for endowment fund, and liabilities measured on a recurring basis at June 30, 2016 and 2015 are as follows:

	<b>2016</b>			
	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Investments				
Fixed income				
Fixed income government/ corporate	\$ 10,287,293	\$ -	\$ 10,287,293	\$ -
Real estate, held at cost	7,223,844	n/a	n/a	n/a
	<u>\$ 17,511,137</u>	<u>\$ -</u>	<u>\$ 10,287,293</u>	<u>\$ -</u>
Assets held for endowment fund				
Cash and cash equivalents	\$ 524,120	\$ 524,120	\$ -	\$ -
Equity funds				
Large-cap	891,914	891,914	-	-
Mid-cap	261,625	261,625	-	-
Small-cap	352,076	352,076	-	-
International equity	770,943	770,943	-	-
Fixed income				
Fixed income corporate bonds	791,813	-	791,813	-
High yield bonds	242,828	-	242,828	-
Other investments	123,422	-	123,422	-
	<u>\$ 3,958,741</u>	<u>\$ 2,800,678</u>	<u>\$ 1,158,063</u>	<u>\$ -</u>

**Colorado Christian University and  
CCU Endowment Foundation**

**Notes to Consolidated Financial Statements  
June 30, 2016 and 2015**

	2015			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value	(Level 1)	(Level 2)
Investments				
Fixed income				
Fixed income government/ corporate	\$ 9,436,192	\$ -	\$ 9,436,192	\$ -
High yield bonds	495,243	-	495,243	-
Alternative and other investments	12,434	-	-	12,434
Real estate, held at cost	8,399,482	n/a	n/a	n/a
	\$ 18,343,351	\$ -	\$ 9,931,435	\$ 12,434
Assets held for endowment fund				
Cash and cash equivalents	\$ 515,269	\$ 515,269	\$ -	\$ -
Equity funds				
Large-cap	946,885	946,885	-	-
Mid-cap	247,748	247,748	-	-
Small-cap	368,398	368,398	-	-
International equity	880,117	880,117	-	-
Fixed income				
Fixed income corporate bonds	773,169	-	773,169	-
High yield bonds	252,109	-	252,109	-
Other investments	113,621	-	113,621	-
	\$ 4,097,316	\$ 2,958,417	\$ 1,138,899	\$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2016. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

# Colorado Christian University and CCU Endowment Foundation

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

### ***Investments and Assets Held for Endowment Funds***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Level 1 and Level 2 investments include equity funds and fixed income funds. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

### ***Level 3 Valuation Technique***

The alternative investments include a hedge fund held by the University for the year ended June 30, 2015 and is valued based on a Level 3 input. The Level 3 input includes fair value estimates by professional investment managers and a methodology provided by an independent appraisal.

The following table provides further details of the Level 3 fair value measurements:

	<b>Hedge Fund</b>
Balance, June 30, 2014	\$ 251,679
Total gains or losses (realized and unrealized) included in changes in net assets	9,744
Purchases	-
Sales	(248,989)
Balance, June 30, 2015	12,434
Total gains or losses (realized and unrealized) included in changes in net assets	-
Purchases	-
Sales	(12,434)
Balance, June 30, 2016	\$ -

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

**Note 15: Related-party Transactions**

An Officer of the University is a passive investor in an LLC that owns a building in which the University is a tenant under a triple net lease for approximately 12,000 rentable square feet. The Officer is not the managing member of the LLC and, as a passive investor, has no property management or decision-making authority. For the years ended June 30, 2016 and 2015, base rent under the University's lease was \$183,422 and \$182,203 respectively; and operating expenses were an additional \$108,801 and \$112,874, respectively.

An Officer is a principal in a professional corporation which provides legal services to the University. For the years ended June 30, 2016 and 2015, professional expenses paid to this corporation were \$59,237 and \$81,682, respectively.

During 2016, members of the University's Board of Trustees contributed approximately \$1,100,000 to the University.

**Note 16: Operating and Nonoperating Activities**

The activity of the University has been reported in the consolidated statements of activities in the following two categories: operating and nonoperating. Operating includes the core educational activities of the organizations. Nonoperating includes all other activity that is not considered to be "core educational," such as contributions restricted for capital projects, gain (loss) on property held for investment, write-off of bond issuance costs, loss on property and equipment, and investment income.

**Note 17: Significant Estimates and Concentrations**

***Concentration***

Approximately 28% of all contributions were received from one donor in 2016.

***Litigation***

The University is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the University. Events could occur that would change this estimate materially in the near term.

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**

**Note 18: Subsequent Events**

Subsequent to June 30, 2016, the University acquired an 8-unit condominium building in Lakewood, Colorado, to be used for student housing. The property was purchased for \$1,519,200 and was financed with a note in the amount of \$1,215,360. The note is payable in monthly principal and interest installments of \$6,533, with interest calculated at 4.95%. The note matures in August 2026.

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

## **Supplementary Information**

**Colorado Christian University and  
CCU Endowment Foundation**  
Schedules of Financial Position – Consolidating Information  
June 30, 2016 and 2015

	June 30, 2016				June 30, 2015			
	CCU	Foundation	Elimination	Total	CCU	Foundation	Eliminations	Total
<b>Assets</b>								
Cash and cash equivalents	\$ 35,236,500	\$ -	\$ -	\$ 35,236,500	\$ 33,677,701	\$ -	\$ -	\$ 33,677,701
Restricted assets	2,000,000	-	-	2,000,000	2,000,000	-	-	2,000,000
Accounts receivable, net	8,503,664	445,797	(445,797)	8,503,664	5,564,760	497,548	(497,548)	5,564,760
Investments	17,511,137	-	-	17,511,137	18,343,351	-	-	18,343,351
Prepaid expenses and other assets	2,837,228	-	-	2,837,228	308,265	-	-	308,265
Perkins notes receivable, net	227,285	-	-	227,285	225,981	-	-	225,981
Contributions receivable	-	-	-	-	700,000	-	-	700,000
Notes receivable, net	3,465,726	-	-	3,465,726	1,723,549	-	-	1,723,549
Debt issuance costs, net	305,009	-	-	305,009	336,924	-	-	336,924
Assets held for endowment fund	445,797	3,512,944	-	3,958,741	497,548	3,599,768	-	4,097,316
Property and equipment, net	68,430,818	-	-	68,430,818	64,235,584	-	-	64,235,584
<b>Total assets</b>	<b>\$ 138,963,164</b>	<b>\$ 3,958,741</b>	<b>\$ (445,797)</b>	<b>\$ 142,476,108</b>	<b>\$ 127,613,663</b>	<b>\$ 4,097,316</b>	<b>\$ (497,548)</b>	<b>\$ 131,213,431</b>
<b>Liabilities and Net Assets</b>								
<b>Liabilities</b>								
Accounts payable	\$ 1,806,921	\$ -	\$ (445,797)	\$ 1,361,124	\$ 3,260,272	\$ -	\$ (497,548)	\$ 2,762,724
Accrued expenses	2,311,910	-	-	2,311,910	1,680,518	-	-	1,680,518
Deposits held	243,313	-	-	243,313	275,997	-	-	275,997
Deferred revenue - tuition	4,401,403	-	-	4,401,403	3,556,619	-	-	3,556,619
Deferred revenue - real estate	2,949,013	-	-	2,949,013	-	-	-	-
Construction costs payable	1,179,187	-	-	1,179,187	3,934,873	-	-	3,934,873
Notes payable	37,632,694	-	-	37,632,694	32,932,633	-	-	32,932,633
Advances from federal government for student loans	155,639	-	-	155,639	316,735	-	-	316,735
	50,680,080	-	(445,797)	50,234,283	45,957,647	-	(497,548)	45,460,099
<b>Net Assets</b>								
Unrestricted								
Equity in property and equipment	29,923,946	-	-	29,923,946	27,705,002	-	-	27,705,002
Quasi-endowment	252,615	-	-	252,615	252,015	-	-	252,015
Board-designated	-	-	-	-	1,500,000	-	-	1,500,000
Operating	51,814,077	596,859	-	52,410,936	46,767,262	886,254	-	47,653,516
	81,990,638	596,859	-	82,587,497	76,224,279	886,254	-	77,110,533
Temporarily restricted	6,292,446	-	-	6,292,446	5,431,737	-	-	5,431,737
Permanently restricted	-	3,361,882	-	3,361,882	-	3,211,062	-	3,211,062
	88,283,084	3,958,741	-	92,241,825	81,656,016	4,097,316	-	85,753,332
<b>Total liabilities and net assets</b>	<b>\$ 138,963,164</b>	<b>\$ 3,958,741</b>	<b>\$ (445,797)</b>	<b>\$ 142,476,108</b>	<b>\$ 127,613,663</b>	<b>\$ 4,097,316</b>	<b>\$ (497,548)</b>	<b>\$ 131,213,431</b>

**Colorado Christian University and  
CCU Endowment Foundation**

**Schedules of Revenues, Expenses and Changes in Net Assets – Consolidating Information  
Years Ended June 30, 2016 and 2015**

	2016				2015			
	CCU	Foundation	Elimination	Total	CCU	Foundation	Eliminations	Total
<b>Operating Revenue and Support</b>								
Tuition and fees	\$ 74,075,890	\$ -	\$ -	\$ 74,075,890	\$ 62,820,783	\$ -	\$ -	\$ 62,820,783
Scholarships and grants	(18,147,459)	(199,950)	199,950	(18,147,459)	(14,525,237)	(195,847)	195,847	(14,525,237)
	55,928,431	(199,950)	199,950	55,928,431	48,295,546	(195,847)	195,847	48,295,546
State grants	1,480,827	-	-	1,480,827	1,363,194	-	-	1,363,194
Federal grants	352,897	-	-	352,897	316,352	-	-	316,352
Contributions	2,254,594	-	(199,950)	2,054,644	2,377,238	-	(195,847)	2,181,391
Auxiliary services	8,128,434	-	-	8,128,434	6,808,487	-	-	6,808,487
Interest and dividends	41,590	-	-	41,590	14,357	-	-	14,357
Other income	527,472	-	-	527,472	1,572,563	-	-	1,572,563
Total revenue and support	68,714,245	(199,950)	-	68,514,295	60,747,737	(195,847)	-	60,551,890
<b>Expenses</b>								
Program services								
Instruction	16,139,237	-	-	16,139,237	16,753,942	-	-	16,753,942
Academic support	4,033,032	-	-	4,033,032	4,414,414	-	-	4,414,414
Student services	17,828,459	-	-	17,828,459	15,289,271	-	-	15,289,271
Auxiliary enterprises	8,946,975	-	-	8,946,975	4,909,833	-	-	4,909,833
Public service	863,899	-	-	863,899	4,304,070	-	-	4,304,070
	47,811,602	-	-	47,811,602	45,671,530	-	-	45,671,530
Supporting activities								
General and administrative	16,197,577	-	-	16,197,577	12,104,154	-	-	12,104,154
Fund raising	1,812,832	-	-	1,812,832	1,021,251	-	-	1,021,251
	18,010,409	-	-	18,010,409	13,125,405	-	-	13,125,405
Total expenses	65,822,011	-	-	65,822,011	58,796,935	-	-	58,796,935
<b>Change in Net Assets from Operations</b>	2,892,234	(199,950)	-	2,692,284	1,950,802	(195,847)	-	1,754,955
<b>Nonoperating</b>								
Contributions	3,607,460	151,420	-	3,758,880	16,093,749	185,499	-	16,279,248
Investment income (loss)	222,496	(86,827)	-	135,669	90,523	12,079	-	102,602
Loss on sale of property and equipment and real estate investments	(94,733)	-	-	(94,733)	(529,329)	-	-	(529,329)
Other income	-	-	-	-	95,311	12,594	-	107,905
Nonoperating expenses	(389)	(3,218)	-	(3,607)	(325,436)	(3,219)	-	(328,655)
<b>Change in Net Assets</b>	6,627,068	(138,575)	-	6,488,493	17,375,620	11,106	-	17,386,726
<b>Net Assets, Beginning of Year</b>	81,656,016	4,097,316	-	85,753,332	64,280,396	4,086,210	-	68,366,606
<b>Net Assets, End of Year</b>	\$ 88,283,084	\$ 3,958,741	\$ -	\$ 92,241,825	\$ 81,656,016	\$ 4,097,316	\$ -	\$ 85,753,332

**Colorado Christian University and  
CCU Endowment Foundation**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

<b>Federal Grantor/Cluster/Program</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>	<b>Passed through to Subrecipients</b>
U.S. Department of Education -			
Student Assistance Cluster			
Federal Direct Student Loan Program	84.268	\$ 34,133,357	\$ -
Federal Pell Grants	84.063	7,737,025	-
Federal Supplemental Educational Opportunity Grant Program	84.007	195,327	-
Federal Work-Study Program	84.033	165,036	-
Federal Perkins Loan Program (Note 2)	84.038	354,461	-
TEACH Grants	84.379	<u>12,071</u>	<u>-</u>
Total U.S. Department of Education - Student Financial Assistance Cluster		<u>42,597,277</u>	<u>-</u>
Total Federal Awards		<u>\$ 42,597,277</u>	<u>\$ -</u>

**Colorado Christian University and  
CCU Endowment Foundation**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

**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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 2: Federal Perkins Loan Program**

The federal loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's consolidated financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2016, consists of:

	<b>CFDA Number</b>	<b>Outstanding Balance at June 30, 2016*</b>
Perkins Loan Program	84.038	\$ 269,461

Total Perkins loan disbursements made to students during the fiscal year ended June 30, 2016 were \$40,500.

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

Board of Trustees  
Colorado Christian University and  
CCU Endowment Foundation  
Lakewood, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements Colorado Christian University (the University), which comprise the consolidated statement of financial position as of June 30, 2016 and the related consolidated statements of activities and cash flows for the year then ended, and the notes to the consolidated financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 10, 2016, which included an emphasis of matter paragraph related to a restatement of the prior year consolidated financial statements.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Board of Trustees  
Colorado Christian University and  
CCU Endowment Foundation

### ***Compliance and Other Matter***

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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*.

### ***The University's Response to Finding***

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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

**BKD, LLP**

Denver, Colorado  
October 10, 2016

## Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Board of Trustees  
Colorado Christian University and  
CCU Endowment Foundation  
Lakewood, Colorado

### Report on Compliance for Each Major Federal Program

We have audited Colorado Christian University's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2016. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

Board of Trustees  
Colorado Christian University and  
CCU Endowment Foundation

***Basis for Qualified Opinion on Student Financial Assistance Cluster***

As described in the accompanying schedule of finding and questioned costs, the University did not comply with requirements regarding the Student Financial Assistance Cluster as described in finding number 2016-002 for Special Tests and Provisions – Disbursements To or On Behalf of Students and 2016-003 for Special Tests and Provisions – Enrollment Reporting. Compliance with such requirements is necessary, in our opinion, for the University to comply with requirements applicable to that program.

***Qualified Opinion on Student Financial Assistance Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the University complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended June 30, 2016.

***Other Matters***

The results of our auditing procedures also disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-004. Our opinion on the major federal program is not modified with respect to this matter.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, there can be no assurance that all material weaknesses or significant deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

Board of Trustees  
Colorado Christian University and  
CCU Endowment Foundation

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-004 to be a significant deficiency.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University'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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BKD, LLP*

Denver, Colorado  
October 10, 2016

**Colorado Christian University and  
CCU Endowment Foundation  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

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

*Federal Awards*

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

**Colorado Christian University and  
CCU Endowment Foundation  
Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016**

7. The University's major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Cluster

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The University qualified as a low-risk auditee?  Yes  No

**Colorado Christian University and  
CCU Endowment Foundation  
Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
2016-001	<p><b>Finding:</b> Statement of Cash Flows Restatement</p> <p><b>Criteria or Specific Requirement:</b> Cash flows related to construction, including the results of changes in accounts and retainage payables, should be reported in the investing activities section of the statement of cash flows.</p> <p><b>Condition:</b> For the year ended June 30, 2015, management outsourced the drafting of the financial statements to the independent auditors. In the audit of the June 30, 2016 financial statements it was determined that there was an error in the statement of cash flows which understated cash provided by operating activities and overstated cash used in investing activities by \$4,038,765, due to a misclassification of the change in accounts and retainage payable.</p> <p><b>Effect:</b> While this error had no effect on the previously issued 2015 statement of financial position or statement of activities, the difference was material to the 2015 statement of cash flows resulting in the restatement as discussed in Note 3 of the financial statements.</p> <p><b>Cause:</b> The University significantly increased capital project activity giving rise to these significant construction accounts and retainage payable balances at the prior year-end. These payables were treated the same as operational related accounts payable on the previous year cash flow statement by the</p> <p><b>Recommendation:</b> As the University continues to embark on various construction projects, and take on more responsibility for financial statement preparation, we recommend that cash flow classifications be carefully analyzed and compared to internal cash flows analysis.</p> <p><b>Views of responsible officials:</b> Agree. See separate report for planned corrective actions.</p>

**Colorado Christian University and  
CCU Endowment Foundation  
Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016**

**Section III – Federal Award Findings and Questioned Costs**

<b>Reference Number</b>	<b>Finding</b>
2016-002	<p><b>Finding:</b> Special Tests and Provisions - Disbursements To or On Behalf of Students</p> <p><b>Student Financial Assistance Cluster:</b> <b>CFDA No. 84.268 - Federal Direct Student Loans</b> <b>U.S. Department of Education, Award Number - None Provided, Award Year 2016</b></p> <p><b>Criteria or specific requirement:</b> Per 34 CFR 668.165(a) if an institution credits a student's account at the institution with direct loan, the institution must notify the student or parent of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or returned to the Department of Education; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan. This notification must be provided no earlier than 30 days before, and no later than 30 days after, crediting the student's ledger account.</p> <p><b>Condition:</b> We identified eight students who received proper notification for their first disbursement after having direct loans credited to the student's ledger account, but did not receive notice for subsequent disbursement.</p> <p><b>Questioned costs:</b> None. Questioned costs would not be applicable under this finding.</p> <p><b>Context:</b> We tested 40 students who received federal aid during the year and noted the issues described above. The tested population covered direct loan disbursements of \$275,552. The total population of students receiving direct loans included 3,795 students totaling approximately \$34 million. A non-statistical sampling methodology was used to select the sample.</p> <p><b>Effect:</b> The student was made aware of a credit to their ledger account and the right to cancel all or a portion of the loan disbursement on their first disbursement. However, for a subsequent disbursement, the student was not made aware of a credit to their ledger account or of the right to cancel all or a portion of the loan disbursement.</p> <p><b>Cause:</b> During fiscal year 2016, the University required a manual prompt to send out notifications to students each time a disbursement was made. For the instances noted above, it appears the manual prompt was not activated.</p> <p><b>Identification as a repeat finding:</b> Not applicable.</p> <p><b>Recommendation:</b> We recommend that the University use the automatically generated disbursement notifications available within the Student Information System (Colleague) to help ensure disbursement notifications are provided to all students or parents receiving direct loans. In addition, Colleague will store the automatically generated disbursement notifications which will provide audit documentation of the date and content of the notification.</p> <p><b>Views of responsible officials:</b> Agree. See separate report for planned corrective actions.</p>

**Colorado Christian University and  
CCU Endowment Foundation**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended June 30, 2016**

Reference Number	Finding
2016-003	<p><b>Finding:</b> Special Tests and Provisions - Enrollment Reporting</p> <p><b>Student Financial Assistance Cluster:</b>  <b>Federal Direct Student Loans CFDA No. 84.268</b>  <b>Federal Pell Grant Program CFDA No. 84.063</b>  <b>Federal Perkins Loan Program CFDA No. 84.038</b>  <b>U.S. Department of Education, Award Number - None Provided, Award Year 2016</b></p> <p><b>Criteria or specific requirement:</b> Per 34 CFR 685.309 and 690.83(b)(2), a school must report within 30 days to the National Student Loan Data System (NSLDS), or directly to a guaranty agency, a change in enrollment status, including (a) withdrawal; (b) graduation; (c) reduction or increase in attendance level; or (d) approved leaves-of-absence unless an enrollment roster file will be submitted within 60 days. This information must include the effective date in which the change in enrollment took effect.</p> <p><b>Condition:</b> Of the 40 students selected for enrollment reporting testing, our audit procedures identified eight students who had an inaccurate effective date reported and one student who had an incorrect level of enrollment reported.</p> <p><b>Questioned costs:</b> None. Questioned costs would not be applicable under this finding.</p> <p><b>Context:</b> We tested 40 of the 4,143 students awarded Pell, Perkins and Direct Loans during the current year who had a reduction or increase in attendance level, withdrew, graduated or had an approved leave-of absence. A non-statistical sampling methodology was used to select the sample.</p> <p><b>Effect:</b> Enrollment reporting assists the federal government in management of these programs, including tracking of the 150% subsidized loan limitation provisions and congressional report requirements associated with the Pell grant program. In addition, for the direct loan program it assists lenders in the determination of whether a borrower should be moved into loan repayment or if they are eligible for an in-school deferment. Thus, if the University fails to meet the required reporting timelines or submits inaccurate information to NSLDS, the borrowers' repayment responsibilities may be reported incorrectly resulting in either a lack of timely repayments by the borrowers or the student being inappropriately moved into loan repayment status. In this case, the inaccurate reporting of effective dates gives the appearance of untimely reporting by the University.</p> <p><b>Cause:</b> The system report utilized by the University was pulling the effective date as the start of the term rather than the date in which the enrollment status change took effect. For the instance in which the incorrect level of enrollment was reported, it appears there was a system classification error which incorrectly reported the graduate student at three-quarter-time rather than full-time.</p> <p><b>Identification as a repeat finding:</b> Not applicable.</p> <p><b>Recommendation:</b> We recommend the University work with the Colleague system to determine which field is used to report effective date and incorporate the proper date field into the report. In addition, based on new information indicating that the National Student Clearinghouse is not automatically clearing errors noted on roster files submitted to NSLDS, we recommend that the University work with the National Student Clearinghouse to request and resolve errors noted on roster files within the required 15 day timeframe.</p> <p><b>Views of responsible officials:</b> Agree. See separate report for planned corrective actions.</p>

**Colorado Christian University and  
CCU Endowment Foundation**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended June 30, 2016**

<b>Reference Number</b>	<b>Finding</b>
2016-004	<p><b>Finding:</b> Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)</p> <p><b>Student Financial Assistance Cluster:</b> <b>CFDA No. 84.268 - Federal Direct Student Loans</b> <b>U.S. Department of Education, Award Number - None Provided, Award Year 2016</b></p> <p><b>Criteria or specific requirement:</b> Per 34 CFR 685.300(B)(5) on a monthly basis, all institutions receiving federal direct loan funds must reconcile institutional records with direct loan funds received through the School Account Statement (SAS) data file.</p> <p><b>Condition:</b> We identified that the University was not completing formal monthly reconciliations between institutional records and the SAS data file, but rather completing a final reconciliation at year-end.</p> <p><b>Questioned costs:</b> None. Questioned costs would not be applicable under this finding.</p> <p><b>Context:</b> We attempted to select two of the 12 months within fiscal year 2016. A non-statistical sampling methodology was used to select the sample.</p> <p><b>Effect:</b> Without an established reconciliation process between institutional records and SAS data files, undetected differences could occur and would not be resolved until the end of the fiscal year.</p> <p><b>Cause:</b> While the University was aware of the requirement, they did not have an adequate process in place to efficiently review and reconcile on a monthly basis between institutional records and the SAS data file. Instead, the University reconciled on an informal basis each month.</p> <p><b>Identification as a repeat finding:</b> Not applicable.</p> <p><b>Recommendation:</b> We recommend that the Student Financial Aid department work with the Controller's Office to develop a formal reconciliation process which can be completed on a monthly basis. This reconciliation should include the general ledger, institutional records and the SAS data file. In addition, the results of this reconciliation and all reports used should be maintained in a central location, such as a shared drive.</p> <p><b>Views of responsible officials:</b> Agree. See separate report for planned corrective actions.</p>

**Colorado Christian University and  
CCU Endowment Foundation  
Status of Prior Audit Findings  
Year Ended June 30, 2016**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2015-001	<i>Return of Title IV Funds:</i> It was recommended that management designate one individual to prepare return of Title IV calculations and one individual review them.	Implemented.
2015-002	<i>PELL Awards:</i> It was recommended that the University change their methodology for modular Pell calculations or adjust the number of weeks per term to be substantially equal in length and also spot check Pell calculations and ensure consistent application of regulations when determining calculations. It was recommended system policies be adjusted for flagging students that are less than half time.	Implemented.
2015-003	<i>Enrollment Reporting:</i> It was determined that the reporting being used to submit to NSLDS was based off of an incorrect definition of withdrawn. It was recommended that the University put additional procedures in place to ensure timely and accurate reporting to NSLDS.	Implemented.
2015-004	<i>Administrative Capability:</i> It was recommended that the University continue to review the staffing levels and knowledge in the financial aid department to assure compliance. It was recommended the University work with the IT department to explore system generated options to assist in awarding financial aid.	Implemented.

## Corrective Action Plan

### **Finding 2016-001:** Statement of Cash Flows Restatement

Colorado Christian University agrees to this finding.

CCU has a dedicated team of qualified CPAs, accountants and individuals, internally, who are experienced in financial reporting; however, from time-to-time it has been found to be more efficient to outsource certain aspects of financial reporting to the independent auditors. For many years CCU engaged the previous auditors to assist in the preparation of the audited financial statements – including the details of the statement of cash flows.

For various reasons, CCU determined that it was in the University's best interest to change auditors for the fiscal year ended June 30, 2016. After a competitive bid process, a different firm was selected who questioned the classification of a specific item on the 2015 statement of cash flows and proposed a correction resulting in the restatement. -We agree with the restatement.

CCU Responsible Party: Daniel L. Cohrs, Vice President of Business Affairs/CFO and Karen Farrand, Controller and Director of Institutional Reporting.

Anticipated completion date: October 1, 2016.

### **Finding 2016-002:** Disbursements to or On Behalf of Students

Colorado Christian University agrees to this finding.

CCU implemented a process whereby a student will be notified by e-mail when a student loan is disbursed to their student account. CCU will explore ways to automate this process to ensure a student is notified in a timely manner.

CCU Responsible Party: Steve Woodburn, Director of Financial Aid.

Anticipated completion date: October 1, 2016.

### **Finding 2016-003:** Enrollment Reporting

Colorado Christian University agrees to this finding.

CCU has corrected the student information system (SIS) error to ensure the most recent date for a change in enrollment is used for enrollment reporting. Additionally, a monthly review process has now been implemented to ensure all errors as noted on file responses from the National Student Clearinghouse are cleared and correctly reported to NSLDS.

CCU Responsible Party: Steve Woodburn, Director of Financial Aid.

Anticipated completion date: October 1, 2016.

**Finding 2016-004: School Account Statement (SAS) Reconciliation**

Colorado Christian University agrees to this finding.

The Financial Aid Office and the Controller's Office have begun meeting on a monthly basis to formally review and reconcile all funds received for federal aid and to document this reconciliation. A standard format will be used to ensure correct review and reconciliation.

CCU Responsible Party: Steve Woodburn, Director of Financial Aid.

Anticipated completion date: October 1, 2016.

## Summary of Prior Year Audit Findings

### Reference Number

### Finding and Corrective Action Plan

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- 2015-001** **Finding - Return of Title IV Funds:** The University has a number of students enrolled in their modular programs that are unofficial withdrawals and require manual R2T4 calculations. As a response to the prior year finding, management hired and sequentially trained four different individuals to work towards compliance on R2T4 calculations. As of February 2015, one individual was able to take over the R2T4 calculations and returns. The University performed a 100% file review in June 2015, and in our sample of 25 students, there were four students who had their return calculation corrected and additional funds returned to the government; these were outside the 45 day window when the additional funds were returned. The initial returns had been done within the 45 day window but had not been the correct amounts. One student in our sample of 25 had a mathematical error where the number of days was miscalculated by one day.
- CCU Corrective Action:** The Director of Financial Aid conducted training to ensure that the individual understood the regulations regarding R2T4s and this person helped the Director to correctly apply regulations. The Director also did monthly internal audits on a sample of students and will also review the University's awarding and disbursing procedures for modular students.
- Responsible Party:** Steve Woodburn, Director of Financial Aid.  
**Status:** Fully corrected.
- 2015-002** **Finding - PELL:** The University did not have the correct procedures in place for the calculations for modular students. When the University began using the modular system, the intent was to create opportunities for students to complete as much classwork as possible within an academic year, which resulted in one semester being longer than the other two by more than two weeks. The University's system failed to flag one student as dropping to less than half time.
- CCU Corrective Action:** Despite having the same academic calendar with ten blocks per academic year for over 10 years, CCU revised its calendar to provide only nine blocks per year – three per term. As a result of this change, CCU was able to continue to use Pell Formula 1.
- Responsible Party:** Steve Woodburn, Director of Financial Aid.  
**Status:** Fully corrected.
- 2015-003** **Finding - Reporting Enrollment Status to NSLDS:** Out of 16 students tested, three students who withdrew or graduated were reported to NSLDS incorrectly. Students who unofficially withdraw are not reported to NSLDS until 365 after their last day of class. It was determined that the reporting being used to submit to NSLDS was based off of the University's definition of withdrawn and not the financial aid definition of withdrawn.
- CCU Corrective Action:** CCU bifurcated the definition of student withdrawals for operational and financial aid purposes. The University implemented the new definition for student withdrawals for financial aid purposes in compliance with regulations.
- Responsible Party:** Steve Woodburn, Director of Financial Aid.  
**Status:** Fully corrected.

**2015-004 Finding - Administrative Capability:** The University has been growing at an exponential rate, and the amount of administrative time to administer the federal financial aid programs has required additional manual time. While financial aid staff has been added, additional time is being invested to train the staff before the staff are able to function more independently.

**CCU Corrective Action:** The University reviewed staffing requirements and training to be compliant with regulations. The Director of Financial Aid also worked with the University's Information Technology Department to ensure that technology is utilized in the most efficient manner to assure compliance.

**Responsible Party:** Steve Woodburn, Director of Financial Aid.

**Status:** Fully corrected.