Loyola Marymount University

Report on Federal Awards
in Accordance with the OMB Uniform Guidance
For the year ended May 31, 2017
EIN 95-1643334

Loyola Marymount University
Report on Federal Awards in Accordance with OMB Uniform Guidance
For the Year Ended May 31, 2017

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Report of Independent Auditors

To the Board of Trustees of
Loyola Marymount University

Report on the Financial Statements

We have audited the accompanying financial statements of Loyola Marymount University (the "University"), which comprise the statement of financial position as of May 31, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loyola Marymount University as of May 31, 2017, 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.

Other Matters

Other

We previously audited the University's statement of financial position as of May 31, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended (not presented herein), and in our report dated October 3, 2016, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of May 31, 2016 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

PricewaterhouseCoopers LLP

October 2, 2017

Loyola Marymount University
Statement of Financial Position
May 31, 2017
(With Summarized Financial Information as of May 31, 2016)

(in thousands)

	2017	2016
Assets		
Cash and cash equivalents	$ 46,854	$ 29,807
Accounts receivable		
Tuition & fees, less allowance for doubtful accounts of $1,185 in 2017 and $1,150 in 2016	3,300	3,270
Other	14,792	18,990
Pledges receivable, net	16,839	18,883
Notes receivable, less allowance for doubtful accounts of $2,046 in 2017 and $1,943 in 2016	36,315	39,630
Investments	505,887	459,637
Prepaid expenses, deferred charges and other assets	7,211	6,996
Assets whose use is limited by bond indentures	-	1,010
Plant properties, net	633,913	641,665
Total assets	$ 1,265,111	$ 1,219,888
Liabilities and net assets		
Liabilities		
Accrued payroll expense	$ 13,166	$ 12,129
Accounts payable and accrued expenses	44,530	40,459
Accrued interest expense	50,179	48,026
Deferred revenue and deposits	23,439	20,769
Debt outstanding, net	156,695	166,070
Loan funds returnable to donor	1,169	1,264
U.S. government grants refundable	10,531	10,531
Annuity liabilities and assets held for others	3,003	2,719
Total liabilities	302,712	301,967
Commitments and contingencies (Note 13)		
Net assets		
Unrestricted	621,502	610,991
Temporarily restricted	136,136	108,004
Permanently restricted	204,761	198,926
Total net assets	962,399	917,921
Total liabilities and net assets	$ 1,265,111	$ 1,219,888

The accompanying notes are an integral part of these financial statements.

Loyola Marymount University
Statement of Activities and Changes in Net Assets
Year Ended May 31, 2017
(With Summarized Financial Information for the Year Ended May 31, 2016)

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Revenues, gains and other additions					
Tuition and fees	$ 371,128	$ -	$ -	$ 371,128	$ 356,817
Scholarships	(105,145)			(105,145)	(100,331)
Net tuition and fees	265,983	-	-	265,983	256,486
Investment returns designated for operations	19,926	10,358		30,284	26,258
Contributions and pledges	9,451	3,837		13,288	11,332
Grants	11,114			11,114	9,209
Auxiliary enterprise revenue, net	44,233			44,233	44,217
Other revenue	9,493			9,493	8,995
Net assets released from restrictions	12,565	(12,565)		-	-
Total operating revenues, gains, and other changes	372,765	1,630	-	374,395	356,497
Expenses					
Instruction	145,476			145,476	140,814
Research	6,084			6,084	6,858
Academic support	35,999			35,999	35,761
Library	14,444			14,444	14,329
Student services	62,673			62,673	61,662
Institutional support	61,682			61,682	56,839
Auxiliary enterprises	34,084			34,084	33,698
Total operating expenses	360,442	-	-	360,442	349,961
Increase in operating net assets	12,323	1,630	-	13,953	6,536
Non-operating revenues and expenses					
Contributions for non-operating purposes	7	144	5,495	5,646	9,853
Contributions for acquisition of capital assets	550	2,022		2,572	2,450
Investment returns after amounts designated for current operations	(6,719)	27,174	325	20,780	(40,459)
Net realized and unrealized gains (losses) on interest rate swap	462			462	(1,458)
Other non-operating income (expenses)	1,065			1,065	(250)
Net assets released from restrictions	3,777	(3,777)		-	-
Donor redesignations	(954)	939	15	-	-
Non-operating revenues (expenses), net	(1,812)	26,502	5,835	30,525	(29,864)
Increase (decrease) in net assets	10,511	28,132	5,835	44,478	(23,328)
Net assets					
Beginning of year	610,991	108,004	198,926	917,921	941,249
End of year	$ 621,502	$ 136,136	$ 204,761	$ 962,399	$ 917,921

The accompanying notes are an integral part of these financial statements.

Loyola Marymount University
Statement of Cash Flows
Year Ended May 31, 2017
(With Summarized Financial Information for the Year Ended May 31, 2016)

(in thousands)

	2017	2016
Cash flows from operating activities		
Increase (decrease) in net assets	$ 44,478	$ (23,328)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	28,024	26,836
Net unrealized and realized (gain) loss on interest rate swap agreement	(1,350)	464
Realized and unrealized (gain) loss on investments	(48,533)	18,719
Realized (gain) on plant properties	(1,223)	-
Loan receivable forgiveness	2,036	2,064
Provisions for (recovery of) doubtful notes receivable	103	(44)
Non-cash contributions received	(2,538)	(1,747)
Contributions to be used for fixed assets	(2,106)	(2,391)
Contributions to be used for long-term investment	3,378	7,815
Proceeds from sale of donated securities	561	966
Actuarial change in trust liability	523	925
Changes in assets and liabilities:		
Tuition and fees receivable from students, net	(30)	664
Accounts receivable, other	2,303	(5,207)
Pledges receivable, net	635	990
Prepaid expenses, deferred charges and other assets	(215)	1,340
Accounts payable and accrued expenses	7,045	3,595
Deferred revenue and deposits	1,649	4,720
Annuity liabilities and assets held for others	100	(5)
Net cash provided by operating activities	34,840	36,376
Cash flows from investing activities		
Purchases of plant properties	(23,484)	(45,777)
Proceeds from sales of plant properties	4,570	-
Purchases of investments	(88,068)	(64,756)
Proceeds from sales and maturities of investments	84,250	55,697
Disbursements of loans to students and faculty	(4,270)	(5,953)
Repayments of loans by students and faculty	5,444	4,666
Net cash used in investing activities	(21,558)	(56,123)
Cash flows from financing activities		
Issuance of CEFA Bond Payable	-	30,025
Repayment of CEFA bonds payable	(7,941)	(38,008)
Repayment of U.S. government grants refundable	-	(171)
Contributions to be used for fixed assets	4,249	3,570
Contributions to be used for long-term investment	6,432	11,942
Reimbursement from CEFA 2013A	1,010	5,485
Contributions restricted for annuity agreements	354	1,056
Payments made under split-interest agreements	(339)	(315)
Net cash provided by financing activities	3,765	13,584
Net increase (decrease) increase in cash and cash equivalents	17,047	(6,163)
Cash and cash equivalents		
Beginning of year	29,807	35,970
End of year	$ 46,854	$ 29,807
Supplementary cash flow information		
Non-cash acquisition of plant	$ 1,935	$ 1,721
Securities and real property received as gifts	2,538	1,747
Interest paid	4,522	4,033

The accompanying notes are an integral part of these financial statements.

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization
Loyola Marymount University (the "University" or "LMU") is a coeducational institution offering undergraduate, graduate and professional degrees, including programs leading to degrees in law and business. The University is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to the Code and under corresponding sections of the California Revenue and Taxation Code.

Basis of Presentation
The financial statements of the University have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America ("GAAP").

Net Assets
Under generally accepted accounting principles applicable to not-for-profit organizations, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein have been classified and are reported as follows:

- Unrestricted net assets – Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is received; and quasi endowment net assets designated by the Board of Trustees or management for specific purposes (known as quasi endowment net assets).

- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the University pursuant to those stipulations and/or by the passage of time.

- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that require the University maintain them in perpetuity. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Summarized Comparative Information
The financial statements and notes include certain prior-year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended May 31, 2016 from which the summarized information was derived.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding the reported amounts of assets, liabilities, disclosure of contingent assets and contingent liabilities at the date of the financial statements and those estimates which affect the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

Donor Redesignations
Certain amounts previously received from donors have been transferred among net assets categories due to changes in restrictions or gifts by the donor.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and investments purchased with an initial maturity of three months or less, excluding those held for long-term investment. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of these financial instruments. In accordance with federal regulations, cash received for Federal Family Education Loans is held in a separate bank account until credited to students' accounts.

Accounts Receivable
Tuition and fees receivable represent amounts due for current or past semesters for which students have registered; amounts collected in advance are deferred and recognized when earned. Management periodically reviews and assesses the collectability of receivables and provides an allowance when collection is doubtful. Historical bad debt experience has been consistent with management's expectations.

Other accounts receivable includes primarily receivables from insurance policies and charitable remainder trusts where the University is named a beneficiary but is not the trustee. As of May 31, 2017 and 2016, the balances of these beneficial interests are $4,510,000 and $6,113,000, respectively. Present value of the estimated future cash flows from the trusts approximates the fair value of the underlying assets. Insurance policies are recorded at cash surrender value.

Pledges Receivable
Unconditional promises to give ("pledges") are recorded as contribution revenue and as receivables in the period received. Pledge contributions are classified as temporarily restricted or permanently restricted based on time restrictions and/or donor-imposed stipulations. Pledges are discounted to present value using a discount rate commensurate with the risk involved. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution, and the nature of the fundraising activity (see Note 2).

Notes Receivable
Student loans are generally funded by government and foundation grants for student financial aid, which the University administers, and are uncollateralized. Student notes receivable have mandated interest rates and repayment terms and are subject to significant restrictions as to their transfer or disposition. Due to the nature and terms of the student loans, it is not feasible to determine the fair value of such loans. Management reviews and assesses the collectability of notes receivable on an annual basis and provides an allowance when collection is doubtful (see Note 3).

Investments
Investments are stated at fair value (see Note 9). Unrealized and realized gains and losses on investments are reported as increases or decreases to unrestricted, temporarily restricted and permanently restricted net assets depending on donor restrictions, if any (see Note 10). Investment income includes rental income, interest income, royalties, dividends and other investment income, and is reported net of investment management fees (see Note 4). Real estate investments and securities received by gift or bequest are recorded at fair value on the date acquired. The majority of the University's investments are included in the Endowment Fund, which is a commingled fund composed of various types of investment assets, and largely pooled on a

market value per unit basis. The total fair value of the Endowment Fund assets at May 31, 2017 and 2016 was $457,488,000 and $418,856,000, respectively.

The University has adopted endowment, investment and spending policies in an attempt to preserve and enhance the real purchasing power of the endowment, provide a relatively stable and constant return sufficient to meet a portion of the spending needs of the University, and increase the endowment through unspent income and gains, appreciated value, gifts and other appropriate sources. Thus, the University's overall return objective is to garner an average annual real total return of at least 5.0% per year, net of fees and inflation, over the long-term (rolling ten-year period). The return objective may be difficult to achieve in any single year during the ten-year period, but is expected to be attainable over a series of ten-year periods.

The University utilizes the "Yale 70/30" spending calculation methodology to determine the annual amount of investment returns distributed to University operations ("spending policy"). Under this methodology, 70% of the calculation is based on a 3% growth rate applied to the prior year's distribution, and 30% is based on a 5% rate applied to a rolling 12 quarter average pool fair market value. This methodology is intended to produce increasing yet smooth and predictable endowment distributions year over year.

For the year ended May 31, 2017, the gross endowment pool distribution under the spending policy was $21,469,000, with an additional Board-approved special distribution for Law School scholarships of $7,813,000 for a total distribution of $29,282,000. Included in investment returns designated for operations is a portion of the endowment distribution designated for operations of $29,124,000 and other non-endowment investment returns of $1,160,000. The remaining endowment distribution of $158,000 is recorded in Investment returns after amounts designated for current operations in the Statement of Activities and Changes in Net Assets. Returns remaining after the annual distribution are reinvested in the endowment pool as Board-designated or temporarily restricted endowment funds.

For the year ended May 31, 2016, the gross endowment pool distribution under the spending policy was $20,770,000, with an additional Board-approved special distribution for Law School scholarships of $6,200,000 for a total distribution of $26,970,000. Included in investment returns designated for operations is a portion of the endowment distribution designated for operations of $25,694,000 and other non-endowment investment returns of $564,000. The remaining endowment distribution of $1,276,000 is recorded in Investment returns after amounts designated for current operations in the Statement of Activities and Changes in Net Assets. Returns remaining after the annual distribution are reinvested in the endowment pool as Board-designated or temporarily restricted endowment funds.

The University classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Uniform Prudent Management of Institutional Funds Act "UPMIFA". The University considers the following factors in making a determination to appropriate or accumulate endowment funds: (1) the duration and preservation of the fund; (2) the mission of the University and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the University; and (7) the investment policies of the University.

Plant Properties

Plant assets, which are purchased or constructed, are stated at cost; assets acquired by gift or bequest are stated at fair value at the date of acquisition. The University uses the straight-line method for the computation of depreciation of long-lived assets according to the following schedule of useful lives:

Asset	**Life**
Buildings	60 years
Equipment	5-20 years
Library books	20 years
Computer software	5-12 years
Leasehold and building improvements	20 years

The University uses a half-year convention for all assets except new construction of buildings for which depreciation begins from the date they are placed in service. Depreciation expense for fiscal years 2017 and 2016 was $28,105,000 and $26,924,000, respectively.

Normal repair and maintenance expenses and minor equipment replacement costs are expensed as incurred. When items are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts, and any profit or loss on such retirements or disposal is recognized in the year of disposal.

Works of art, historical treasures, literary works and artifacts, which are preserved and protected for educational, research and public exhibition purposes, are not capitalized. Donations of such collections are not recorded for financial statement purposes; however, purchases of such collections are recorded as operating expenses in the period in which they are acquired.

The University records conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in its facilities. When an asset retirement obligation is identified, the University records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated useful life of the associated asset. The fair value of the conditional asset retirement obligation is estimated using a probability weighted, discounted cash flow model. The present value of future estimated cash flows is calculated using a credit-adjusted, interest rate applicable to the University in order to determine the fair value of the conditional asset retirement obligations. As of May 31, 2017 and 2016, $1,179,000 and $933,000, respectively, of conditional asset retirement obligations are included within accounts payable and accrued expenses in the Statement of Financial Position (see Note 6).

Credit Concentration

Financial instruments that potentially subject the University to concentration of credit risk are cash, cash equivalents, investments, and receivables. The University's cash, cash equivalents, and investments are held by recognized financial institutions and reputable fund managers. Management regularly reviews its investment policies, asset allocations and individual manager portfolios with the University's external investment consultant, as well as the University's Endowment Fund Investment Committee. Concentration of credit risk for accounts receivable, pledges receivable, and notes receivable is generally limited due to the dispersion of these balances over a broad base.

Revenue Recognition
The University's revenue recognition policies are as follows:

- Tuition, fees and scholarships – Student tuition and fees are recorded as revenues in the year in which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Scholarships are reported in the Statement of Activities and Changes in Net Assets as a reduction of tuition and fees and are recognized in the same manner as described for student tuition and fees (see Note 11).

- Contributions and pledges – For financial reporting purposes, the University distinguishes between contributions of unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Contributions for which donors have imposed restrictions that limit the use of the donated assets are reported as restricted. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributed assets that are subject to perpetual donor restrictions and from which only the current income may be used are classified as permanently restricted net assets. Contributed assets for which donors have not stipulated restrictions, as well as contributions on which donors have placed restrictions which are made and met within the same reporting period, are reported as unrestricted support.

  Pledges are recorded as receivables and revenues in the year received. Pledges on which payments are receivable in future periods are reported as either temporarily restricted or permanently restricted based on donor intent. Gifts of land, buildings and equipment are reported as unrestricted unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted. Absent explicit donor stipulation, the University reports expirations of donor restrictions on long-lived assets when the donated or acquired long-lived asset is placed in service.

- Grants – Revenues from grant contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred.

- Auxiliary enterprise revenue – Revenues from supporting services, such as conferences, dining facilities, student housing, parking operations, child care center and bookstores are recorded at the time of delivery of a product or service. Amounts received in advance of delivery of products or services are recorded as deferred revenue. Student housing scholarships are reported in the Statement of Activities and Changes in Net Assets as a reduction of auxiliary enterprise revenue and are recognized in the same manner as described for auxiliary enterprise revenue.

- Other revenue – Other revenue includes income primarily generated from athletic activities, lab fees and rebates from significant vendor contracts. Amounts received are recorded at the time of transaction. Amounts not received by year end but earned are accrued and are included in accounts receivable – other.

Expenses

Expenses are reported as decreases in unrestricted net assets. In the Statement of Activities and Changes in Net Assets expenses are presented by functional classification in accordance with the Integrated Postsecondary Education Data System ("IPEDS"). Each functional classification includes direct expenses, as well as allocated costs such as depreciation, interest expense and plant operating costs. Depreciation expense is allocated based upon square-footage occupancy of University facilities. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt. Plant operations and maintenance represent building occupancy costs, which are allocated to functional categories based upon square-footage occupancy or by specific identification. Square-footage occupancy is adjusted for changes due to new construction or space redistribution.

Included in institutional support expense in the Statement of Activities and Changes in Net Assets for the years ended May 31, 2017 and 2016, is approximately $9,758,000 and $9,903,000 respectively of direct expenses related to fundraising.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses consist of amounts which, due to their nature, are not considered by management as part of operations. Specific items include investment results (exclusive of amounts distributed per the spending policy which is included in Investment returns designated for operations), market value adjustment on derivative instruments, and other non-operating items.

New Accounting Pronouncements

In May 2014, the FASB issued a standard on *Revenue from Contracts with Customers*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating the transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The University continues to evaluate its population of revenue sources to assess the potential effects this standard will have on its financial statements and related disclosures. The University expects the primary impact to be in the form of additional financial statement disclosures.

In August 2014, the FASB issued a standard on *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. If conditions or events exist that raise substantial doubt about an entity's ability to continue as a going concern, the guidance requires disclosure in the financial statements. The guidance was effective for our annual period ended May 31, 2017. During the year ended May 31, 2017, management assessed the University's ability to continue as a going concern as required and concluded there were no conditions that gave rise to substantial doubt about the ability to continue as a going concern; therefore, additional disclosures were not required.

In April 2015, the FASB issued a standard on *Simplifying the Presentation of Debt Issuance Costs*. This standard requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The standard is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. Management has chosen to early adopt the guidance effective for the University's May 31, 2017 financial statements with the change applied retrospectively for the year ended May 21, 2016.

In February 2016 the FASB issued a standard on *Leases*. This guidance requires the recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. The guidance is effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact this will have on the University's future financial statements.

In August 2016 the FASB issued a standard on the *Presentation of Financial Statements for Not-for-Profit-Entities*. This guidance revises the not-for-profit reporting model. The guidance streamlines and clarifies net asset reporting, provides flexibility regarding the definition of reported operating subtotals, and imposes new reporting requirements related to expenses. The guidance is effective for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact this will have on the University's future financial statements.

In August 2016, the FASB issued guidance on *Classification of Certain Cash Receipts and Cash Payments* and *Restricted Cash*. This new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the impact this will have on the University's future financial statements.

In March 2017, the FASB issued guidance on *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This guidance is intended to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost and requires the bifurcation of net benefit cost. The service cost component will be presented with other employee compensation costs in operating income (or capitalized in assets). The other components will be reported separately outside of operations, and will not be eligible for capitalization. The guidance is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the impact this will have on the University's future financial statements.

2. Pledges Receivable

Pledges are received as part of the University's fundraising activities for operational, plant and endowment purposes. Pledges are recorded at fair value estimated by discounting future cash flows at rates ranging from 3.0% to 5.0% per annum. At May 31, outstanding pledges are reflected in the financial statements and are summarized below:

Pledges expected to be collected are as follows at May 31 (*in thousands)*:

	2017	2016
In one year or less	$ 9,040	$ 9,556
Between one and five years	8,297	9,951
Over five years	63	106
Total pledges receivable	17,400	19,613
Less: Allowance for uncollectible pledges	-	-
Discount to present value	(561)	(730)
Total pledges receivable, net	$ 16,839	$ 18,883

Pledges receivable at May 31, 2017 have the following designations (*in thousands)*:

	Pledge Receivable Balance	Allowance	Discount	Pledge Receivable Balance, Net
Endowment for academic programs and activities	$ 403	$ -	$ -	$ 403
Endowment for scholarships	6,752		(261)	6,491
Plant properties	2,745		(60)	2,685
Departmental programs and activities	7,500		(240)	7,260
Total pledges receivable	$ 17,400	$ -	$ (561)	$ 16,839

Pledges receivable at May 31, 2016 have the following designations (*in thousands)*:

	Pledge Receivable Balance	Allowance	Discount	Pledge Receivable Balance, Net
Endowment for academic programs and activities	$ 535	$ -	$ -	$ 535
Endowment for scholarships	7,674		(384)	7,290
Plant properties	3,168		(100)	3,068
Departmental programs and activities	8,236		(246)	7,990
Total pledges receivable	$ 19,613	$ -	$ (730)	$ 18,883

3. Notes Receivable

Student Loans
The University makes uncollateralized loans to students based on financial need. Student loans are funded through the Federal Perkins Loan Program, Weingart Foundation Loan Program, and institutional resources. At both May 31, 2017 and 2016, net student loans represented approximately 2% of total assets.

At May 31, 2017, student loans and the related allowance for doubtful accounts consist of the following (*in thousands*):

	Student Receivable Balance	Related Allowance	Student Receivable Balance, net
Perkins	$ 10,966	$ (753)	$ 10,213
Weingart	12,417	(994)	11,423
Institutional	3,357	(299)	3,058
Total	$ 26,740	$ (2,046)	$ 24,694

At May 31, 2016, student loans and the related allowance for doubtful accounts consist of the following (*in thousands*):

	Student Receivable Balance	Related Allowance	Student Receivable Balance, net
Perkins	$ 12,459	$ (646)	$ 11,813
Weingart	12,844	(974)	11,870
Institutional	3,480	(323)	3,157
Total	$ 28,783	$ (1,943)	$ 26,840

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, and the level of delinquent loans. The University's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan Program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations the Federal portion of the loan balance is guaranteed. The University's Weingart receivable represents the amount due from current and former students under the Weingart Foundation Loan Program. Under the Weingart Foundation Loan Program, students are awarded non-interest bearing loans. Any loans not collected under the Weingart Foundation Loan Program become the University's responsibility for repayment. The University must make whole all loans uncollected under this program. Various other institutional loans are sponsored by donor gifts and are subject to donor restrictions on use of funds. The University manages institutional loans through guidelines included in respective donor gift agreements.

Changes in the allowance for credit losses for the years ended May 31 were as follows (*in thousands*):

	2017 Student Loan Allowance	2016 Student Loan Allowance
Beginning Balance - June 1	$ (1,943)	$ (1,987)
Change in estimated reserve requirement	(283)	(117)
Net charge-offs	245	232
Recoveries	(65)	(71)
Ending Balance - May 31	$ (2,046)	$ (1,943)

At May 31, 2017, the following amounts were due under the student loan program (*in thousands*):

	Current	1-60 Days Past Due	60-90 Days Past Due	90-120 Days Past Due	120 + Days Past Due	Total Student Loans Receivable
Perkins	$ 9,386	$ 326	$ 108	$ 19	$ 1,127	$ 10,966
Weingart	10,865	363	61	74	1,054	12,417
Institutional	2,900	91	-	6	360	3,357
						$ 26,740

At May 31, 2016, the following amounts were due under the student loan program (*in thousands*):

	Current	1-60 Days Past Due	60-90 Days Past Due	90-120 Days Past Due	120 + Days Past Due	Total Student Loans Receivable
Perkins	$ 10,658	$ 374	$ 90	$ 16	$ 1,321	$ 12,459
Weingart	11,373	343	34	49	1,045	12,844
Institutional	3,054	61	-	2	363	3,480
						$ 28,783

Faculty and Staff Loans
As part of a program to attract and retain excellent faculty, the University provides home mortgage financing assistance. Mortgage notes receivable amounting to $11,523,000 and $12,703,000 were outstanding at May 31, 2017 and 2016, respectively, and are collateralized by deeds of trust on properties concentrated in the region surrounding the University. Mortgage loans are granted up to $150,000, interest free per eligible faculty member. The loan amounts are forgiven over a 10-year period, following one-year participation in the program, as long as the faculty member remains employed at the University per the terms of the agreement. If the faculty member leaves the University prior to the full forgiveness of the loan, the unforgiven balance of the loan is to be repaid to the University. In addition, the University provides both staff and faculty with computer loans as a benefit of employment. Notes of $98,000 and $87,000 were outstanding at May 31, 2017 and 2016, respectively, related to employee computer loans. No allowance for doubtful accounts has been recorded against faculty and staff loans based on collection histories.

The faculty and staff loan amount represents approximately 1% of total assets at May 31, 2017 and 2016, respectively. There were no amounts past due under either program.

4. Investments

Investments consist of the following at May 31, stated at fair value (*in thousands)*:

	2017	2016
Investment cash and cash equivalents	$ 8,909	$ 17,066
Corporate bonds	502	9,114
Government bonds	855	3,305
Common stock	14,430	12,847
Mutual funds	145,899	123,791
Commingled funds	166,496	138,671
Alternative investment funds:		
Private equity/Venture capital	34,913	35,409
Hedge funds	102,179	98,378
Natural resources	14,603	8,481
Real estate	8,219	3,072
Distressed	6,038	7,095
Real property and other	2,844	2,408
	$ 505,887	$ 459,637

The investment goal of the University is to maintain or grow its investments in order to increase financial support to operations and further enhance the educational mission. In order to achieve this, and also mitigate market risk, the University diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies. As a general practice, virtually all the financial assets of the University are managed by external investment management firms selected by the University. The University maintains agreements with each of the external investment managers, which provide for compensation in the form of management fees. Most of these managers charge fees directly to fund Net Asset Value ("NAV") on a regular basis, and therefore, the majority of management fees are included in investment returns in the Statement of Activities and Changes in Net Assets.

Approximately 67% of the University's investments at May 31, 2017 and 66% of the University's investments at May 31, 2016 are invested (directly or indirectly) in money market funds, publicly traded equities, which are listed on national exchanges, quoted on NASDAQ, or in the over-the-counter market; treasury and agency bonds of the U.S. government; and primarily investment-grade corporate bonds for which an active trading market exists.

The University's alternative investment funds consist of private equity, venture capital, natural resources, distressed debt, real estate and absolute return hedge funds. These are largely fund-of-funds and are held in partnership or trust format. Approximately 33% of the University's investments as of May 31, 2017 and 34% of the University's investments at May 31, 2016 are invested with various limited partnerships that invest (directly or indirectly) in the securities of companies that are not immediately liquid, such as venture capital and buyout firms, and in real estate limited partnerships that have investments in various types of properties.

Included in common stock and mutual funds are investments held in charitable remainder trusts wherein the University is the trustee and has control over the assets. The aggregate balance of these assets held in trust at May 31, 2017 and 2016 is $371,000 and $361,000, respectively.

The following schedule summarizes the investment return and its classification in the Statement of Activities and Changes in Net Assets for the years ended May 31 (*in thousands)*:

	2017	2016
Unrealized and realized gains (losses)	$ 48,533	$ (18,719)
Interest income, dividends, royalties and rents	4,643	6,185
Management fees and other investment related expenses	(2,112)	(1,667)
Total net gains (losses) on investments	51,064	(14,201)
Less: Investment returns designated for current operations	(30,284)	(26,258)
Investment gains (losses) after amounts designated for current operations	$ 20,780	$ (40,459)

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 University's investments and total net assets balances could fluctuate materially.

5. Plant Properties

Plant properties are as follows for the year ended May 31 (*in thousands*):

	2017	2016
Land	$ 50,981	$ 52,083
Buildings	550,412	549,386
Equipment	183,799	178,334
Library books	80,418	76,342
Computer software	27,179	26,111
Leasehold improvements	48,306	47,963
Building improvements	87,299	80,953
Construction-in-progress	6,010	3,035
Total cost	1,034,404	1,014,207
Less: Accumulated depreciation	400,491	372,542
Plant properties, net	$ 633,913	$ 641,665

Fully depreciated assets still in use are $139,497,000 and $128,769,000 for the years ended May 31, 2017 and 2016, respectively.

6. Accounts Payable and Accrued Expenses

The following table sets forth major components of Accounts Payable and Accrued Expenses as of May 31 (*in thousands*):

	2017	2016
Vendor accounts payable and accruals	$ 13,943	$ 11,697
Postretirement benefits liability	13,607	12,590
Accrued vacation expense	7,546	7,377
Workers' compensation self-insurance liabilities	8,255	7,862
Asset retirement obligations	1,179	933
	$ 44,530	$ 40,459

7. Retirement and Other Postretirement Benefits

The University contributes to a retirement plan on behalf of eligible University employees. Under the defined contribution plan, the University and plan participants make contributions to purchase individual annuities or to participate in a variety of mutual funds. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. Amounts expensed for the University's share of these costs were approximately $13,564,000 and $13,194,000 during the years ended May 31, 2017 and 2016, respectively.

The University currently provides certain health care benefits for retired University employees. Employees become eligible for those benefits if they reach retirement age while employed by the University and are at least age 65 with 10 years of service. As of May 31, 2017 and 2016, a net postretirement benefit liability of $13,607,000 and $12,590,000, respectively, is included in accounts payable and accrued expenses (see Note 6). The Statement of Activities and Changes in Net Assets includes the net periodic benefit cost, net of benefits paid, which is allocated among the functional expense classifications. The remaining change in net assets is recorded in other non-operating expenses in the Statement of Activities and Changes in Net Assets. The University's postretirement benefits are funded on a pay-as-you-go basis; therefore the plan has no assets.

The following table sets forth the postretirement health benefit plan's unfunded status as of May 31 and amounts recognized in the Statement of Activities and Changes in Net Assets for the years ended May 31 (*in thousands*):

	2017	2016
Benefit obligation at beginning of year	$ 12,590	$ 11,253
Service Cost	810	740
Interest Cost	452	432
Benefits paid	(507)	(356)
Actuarial changes	262	521
Benefit obligation at end of year	$ 13,607	$ 12,590

Actuarial changes were driven by changes in the mortality rate assumption, the discount rate, changes in health cost trends, and retirement rates.

The health care cost trend rate used to estimate the expected cost of benefits covered by the plan was 7.25% and 6.75% as of May 31, 2017 and 2016, respectively. The ultimate cost trend rate expected as of May 31, 2017 is 5.25% and it is expected to be reached in the year 2060.

The discount rates used to estimate the benefit obligation as of May 31, 2017 and 2016, respectively are 3.55% and 3.45%.

Components of net periodic benefit costs for the year ended May 31 are as follows (*in thousands*):

	2017	2016
Service cost	$ 810	$ 740
Interest cost	452	433
Amortization of prior service cost	46	46
Amortization of losses	130	90
Net periodic benefit cost	$ 1,438	$ 1,309

The discount rates used to determine the net periodic cost for the years ended May 31, 2017 and 2016, respectively are 3.45% and 3.75%.

As of May 31, 2017, a one-percentage-point change in assumed healthcare cost trend rates would have the following effects (*in thousands*):

	Increase	(Decrease)
Effect on accumulated postretirement benefit obligation	$ 1,750	$ (1,468)
Effect on service and interest cost components	219	(177)

The following benefit payments which reflect expected future service, as appropriate, are expected to be made as follows (*in thousands*):

Fiscal Year Ending May 31,	
2018	$ 719
2019	837
2020	765
2021	818
2022	885
2023-2026	4,875

8. Debt Outstanding

Total debt outstanding is composed of bonds payable resulting from borrowings issued through the California Educational Facilities Authority ("CEFA"). Also included is the University's interest rate swap. The University maintains all long-term debt at amortized cost on the Statement of Financial Position, with the exception of the interest rate swap which is maintained at fair value.

Total debt outstanding at May 31, 2017 is as follows (*in thousands*):

Series	Fiscal Year Maturity Dates	Type of Bond	Interest Rates	Principal Outstanding
2001A	2018 - 2040	Capital appreciation bonds	5.46%-5.83%	$ 34,196
2010A	2018 - 2041	Revenue bonds	4.0%-5.13%	46,985
2011	2018 - 2025	Refunding revenue bonds	3.0%-5.13%	9,235
2013A	2018 - 2044	Revenue bonds	1.67%-4.73%	34,085
2015	2018 - 2021	Variable refunding revenue bonds	70% x LIBOR + 0.50%	27,925

Total CEFA bond principal outstanding	152,426
Plus: Total unamortized premium on CEFA borrowings	614
Total amortized cost of CEFA bonds	153,040
Plus: Fair market value of swap agreement	5,011
Less: Unamortized deferred issuance costs	(1,356)
Total long term debt outstanding	$ 156,695

Total debt outstanding at May 31, 2016 is as follows (*in thousands*):

Series	Fiscal Year Maturity Dates	Type of Bond	Interest Rates	Principal Outstanding
2001A	2017 - 2040	Capital appreciation bonds	5.4%-5.83%	$ 36,152
2010A	2017 - 2041	Revenue bonds	3.0%-5.13%	49,975
2011	2017 - 2025	Refunding revenue bonds	3.0%-5.13%	10,410
2013A	2017 - 2044	Revenue bonds	1.3%-4.73%	34,830
2015	2017 - 2021	Variable refunding revenue bonds	70% x LIBOR + 0.50%	29,000

Total CEFA bond principal outstanding	160,367
Plus: Total unamortized premium on CEFA borrowings	855
Total amortized cost of CEFA bonds	161,222
Plus: Fair market value of swap agreement	6,362
Less: Unamortized deferred issuance costs	(1,514)
Total long term debt outstanding	$ 166,070

Future principal payment requirements for the CEFA bonds are as follows (*in thousands*):

	CEFA
2018	$ 7,957
2019	7,927
2020	8,017
2021	31,348
2022	6,792
Thereafter	90,385
	$ 152,426

The individual CEFA 2001A serial bonds continue to mature each year with final maturity on October 1, 2039. At May 31, 2017 and 2016, the total outstanding liability for these bonds was $83,653,000 and $83,439,000, respectively, which includes principal and accrued interest.

Total interest expense on debt outstanding for fiscal year 2017 and 2016 was $9,109,000 and $8,829,000, respectively.

The CEFA agreements contain covenants relating to maintenance of University assets, insurance and other general items. In addition, the University must at all times maintain unrestricted and temporarily restricted net assets in the aggregate at a market value equal to at least 90% of the outstanding indebtedness.

At May 31, 2017 and 2016 the University held one derivative instrument in the form of an interest rate swap which serves to mitigate interest rate risk and interest expense. The interest rate swap agreement was not entered into for trading or speculative purposes and currently qualifies as an effective cash flow hedge on the CEFA 2015 variable rate bond interest expense. In June of 2015, the University refinanced its CEFA 2010B variable rate bond with the CEFA 2015 variable rate bond. At that time, the swap became an interest rate hedge on the CEFA 2015 bonds as both vehicles maintain LIBOR-based rate structures and matching amortization schedules.

Under the terms of the agreement, the University pays a fixed rate of 3.575% on a declining notional amount which is $27,925,000 and $29,000,000 at May 31, 2017 and 2016, respectively. There are no collateral requirements or contingent features, and the agreement expires in fiscal year 2035. Entering into interest rate swaps involves varying degrees of risk, including the possibility that the counterparty to the swap may default on its obligation to perform, and that there may be unfavorable changes in interest rates and market values. Further, the value of the swap will decrease should interest rates decrease.

9. Fair Value Measurements

Certain University assets and liabilities are measured and reported in the financial statements at fair value on a recurring basis. The fair value hierarchy of valuation techniques is utilized to determine such fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices available in active markets for identical investments.
- Level 2 – Quoted prices in active markets for similar investments; quoted prices for identical investments in markets that are inactive; and prices based on observable inputs other than an unadjusted quoted price.
- Level 3 – Prices based on significant unobservable inputs.

Investments measured at net asset value ("NAV"), as a practical expedient for fair value, are excluded from the fair value hierarchy.

Valuation inputs may be observable or unobservable, and refer to the assumptions that a market participant would consider significant to value an asset or liability. The determination of what is "observable" requires judgment by the University. In general, the University considers observable inputs to be data that are readily available, regularly updated, reliable, and verifiable. Unobservable inputs may be used when observable inputs are not readily available or current. In this situation, one or more valuation techniques may be used including the market approach (inputs based on recent market transactions or comparables) or the income approach (discounted cash flow).

The table below sets forth the University's assets and liabilities which are fair valued on a recurring basis with their associated categorization into Levels 1, 2 and 3 at May 31, 2017 (*in thousands*):

	Level 1	Level 2	Level 3	Total
Asset classification				
Investment cash and cash equivalents	$ 8,909	$ -	$ -	$ 8,909
Debt securities				
Corporate bonds		502		502
Government bonds		855		855
Equity securities				
Common stock	14,430			14,430
Mutual funds				
Fixed Income	59,831			59,831
Equity	63,921			63,921
Alternative	22,147			22,147
Real property			2,350	2,350
Oil & Gas interests			494	494
Investments measured at NAV				332,448
Total investment	169,238	1,357	2,844	505,887
Other assets: Split/beneficial interest			4,510	4,510
Total Assets	$ 169,238	$ 1,357	$ 7,354	$ 510,397
Derivative contracts: Interest rate swap	$ -	$ (5,011)	$ -	$ (5,011)
Total Liabilities	$ -	$ (5,011)	$ -	$ (5,011)

The table below sets forth the University's assets and liabilities which are fair valued on a recurring basis with their associated categorization into Levels 1, 2 and 3 at May 31, 2016 (*in thousands*):

	Level 1	Level 2	Level 3	Total
Asset classification				
Investment cash and cash equivalents	$ 17,066	$ -	$ -	$ 17,066
Debt securities				
Corporate bonds		9,114		9,114
Government bonds		3,305		3,305
Equity securities				
Common stock	12,847			12,847
Mutual funds				
Equity	51,558			51,558
Fixed Income	44,291			44,291
Alternative	27,942			27,942
Real property			1,806	1,806
Oil & Gas interests			602	602
Investments measured at NAV				291,106
Total investments	153,704	12,419	2,408	459,637
Other assets: Split/beneficial interest			6,113	6,113
Total Assets	$ 153,704	$ 12,419	$ 8,521	$ 465,750
Derivative contracts: Interest rate swap	$ -	$ (6,362)	$ -	$ (6,362)
Total Liabilities	$ -	$ (6,362)	$ -	$ (6,362)

Level 1: Includes the University's investment cash and cash equivalents, investments in mutual funds, and common stock that are regularly traded in active markets where quoted prices may be easily obtained.

Level 2: Includes the University's investments in debt securities. Debt security prices are obtained from pricing services, or from brokers.

Level 2 investments may also be priced using model-based valuation techniques where all assumptions are observable, or by utilizing observable inputs from contractual agreements. These investments include the University's interest rate swap which is valued via discounted cash flow analysis taking into account contractual terms and the relevant current yield curve.

Level 3: Includes the University's oil and gas interests and real property. Oil and gas interests are valued by discounting future expected royalty revenues, while real property is valued based on a number of different approaches, including third party appraisals, market comparables, tax assessor values, and discounted future rental revenues.

These investments also include those maintained as part of split-interest agreements where the University is not the Trustee but is named as the beneficiary. These assets include the University's interest in life insurance policies that are recorded at cash surrender value and charitable remainder trusts that are recorded at present value of expected proceeds net of any annual distributions.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future values. In addition, while the University believes that its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different estimates of fair value at the reporting date.

The table below sets forth a reconciliation of beginning and ending balances for the fiscal year ended May 31, 2017, separately for each major category of assets, for financial instruments designated as Level 3 (*in thousands)*:

	Beginning Balance	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases	Sales / Maturities	Net Transfers	Ending Balance
Real property	$ 1,806	$ 497	$ (153)	$ 2,000	$ (1,800)	$ -	$ 2,350
Oil & Gas interests	602		(108)		0		494
Split/Beneficial Interest	6,113		145		(1,748)		4,510
Total assets	$ 8,521	$ 497	$ (116)	$ 2,000	$ (3,548)	$ -	$ 7,354

The amount of unrealized gains and losses included in the Statement of Activities and Changes in Net Assets for the period which is attributable to the change in unrealized gains and losses related to Level 3 assets still held at the reporting date is $37,000.

Transfers in and out of Levels 1, 2, and 3 are recognized at the end of the fiscal year. Funds are transferred out of Level 3 when it is determined that pricing inputs are determinable and liquidity terms are under 90 days. The opposite is true when funds are transferred into Level 3.

As of May 31, 2017, no transfers were recorded between Levels 1, 2 and 3.

The University uses the NAV to determine the fair value of all the underlying investments which (a) may not have a readily determinable fair value and (b) prepare financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies as of May 31, 2017 (in limited partnership or trust format) by major category (*in thousands*):

	Strategy	NAV in Funds	# of Funds	Remaining Life *(in years)*	Unfunded Commitments	Redemption Terms and Restrictions
Commingled Funds	Global, long only equities and bonds in LP/Trust format	$166,496	10	NA	NA	Ranges from daily to monthly redemptions with 1 to 30 days notice.
Hedge Funds	Absolute return employing long/short, convertible arbitrage, event driven, distressed strategies	$102,179	35	NA	NA	Liquidity may be quarterly, annual, or rolling with various notice periods from 45 – 180 days. Certain funds include holdbacks, gates and/or side pockets.
Private Equity/Venture Capital	U.S. and International venture and buyout	$34,913	18	0 to 12	$23,752	No ability to redeem due to structure.
Natural Resources	Private natural resource and energy	$14,603	9	0 to 11	$6,016	No ability to redeem due to structure.
Real Estate	Private real estate equity	$8,219	6	0 to 11	$16,694	No ability to redeem due to structure.
Distressed Debt	Opportunistic including distressed bonds and bank debt	$6,038	4	4 to 11	$9,850	No ability to redeem due to structure.

10. Net Assets

Temporarily restricted net assets for annuity trust agreements, buildings and equipment, and for scholarship and academic support represent pledges and funds previously collected, but not yet expended or released from their restrictions.

Temporarily restricted net assets at May 31 are available for the following purposes (*in thousands*):

	2017	2016
Buildings and equipment	$ 2,872	$ 4,308
Endowment	117,633	86,633
Pledges (Note 2)	9,945	11,058
Scholarship and program - split/beneficial interest	3,878	3,717
Undesignated - split/beneficial interest	1,808	2,288
	$ 136,136	$ 108,004

Permanently restricted net assets consist of the following at May 31 (*in thousands)*:

	2017	2016
Investment in perpetuity, the income from which is expendable to support educational activities	$ 174,535	$ 158,956
Donor-restricted loan funds	23,332	32,145
Permanently restricted pledges (Note 2)	6,894	7,825
	$ 204,761	$ 198,926

The fair value of the endowment is comprised of the following net asset composition by type of fund as of May 31, 2017, is as follows (*in thousands*):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 52,631	$ 174,790	$ 227,421
Board-designated endowment funds	230,067			230,067
Total endowment funds	$ 230,067	$ 52,631	$ 174,790	$ 457,488

The fair value of the endowment is comprised of the following net asset composition by type of fund as of May 31, 2016, is as follows (*in thousands*):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 42,440	$ 159,212	$ 201,652
Board-designated endowment funds	217,204			217,204
Total endowment funds	$ 217,204	$ 42,440	$ 159,212	$ 418,856

Changes in endowment net assets for the year ended May 31 are as follows (*in thousands*):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Endowment net assets, beginning of year	$ 217,204	$ 42,440	$ 159,212	$ 418,856	$ 448,480
Total Investment (loss) / gain	23,489	27,017		50,506	(14,240)
Contributions	1,727	-	15,578	17,305	12,381
Appropriation of endowment returns for expenditure	(11,946)	(17,336)		(29,282)	(26,970)
Expenses	(347)	(538)		(885)	(851)
Donor redesignation/transfers	(60)	1,048		988	56
Endowment net assets, end of year	$ 230,067	$ 52,631	$ 174,790	$ 457,488	$ 418,856

The portions of endowment funds that are required to be retained permanently and/or temporarily either by explicit donor stipulation or by UPMIFA as enacted by the State of California are as follows as of May 31 (*in thousands*):

Temporarily Restricted Net Assets

	2017	2016
Scholarship support	$ 24,799	$ 19,060
Chair & faculty support	19,861	15,923
Program support	7,411	7,050
Awards	458	361
Plant	102	46
Total temporarily restricted endowment net assets	$ 52,631	$ 42,440

Permanently Restricted Net Assets

	2017	2016
Scholarship support	$ 97,188	$ 83,086
Chair & faculty support	43,920	43,709
Program support	29,969	28,786
Awards	2,263	2,181
Plant	1,450	1,450
Total permanently restricted endowment net assets	$ 174,790	$ 159,212

11. Scholarships

Scholarships, reported in the Statement of Activities and Changes in Net Assets as a reduction of tuition and fees, were funded in fiscal years 2017 and 2016 from the following revenue sources as of May 31 (*in thousands*):

	2017	2016
University tuition and fees	$ 85,590	$ 82,010
Endowment distribution	14,223	12,845
Donor contributions for current use	4,553	4,630
Government grants	779	846
Total scholarships	$ 105,145	$ 100,331

The University made a reclassification to prior year amounts to conform to the current year presentation in its disclosure on scholarship funding sources. This reclassification had no impact on the financial statements and was not material to the disclosure.

12. Related Parties

Members of the Society of Jesus, the Religious of the Sacred Heart of Mary, and the Sisters of St. Joseph of Orange constitute approximately 2% of the University's full and part-time faculty and administrative staff. During the years ended May 31, 2017 and 2016, the University paid these religious communities approximately $3,546,000 and $3,569,000, respectively, for their services. This compensation is included in Instruction, Research, Institutional support and Student services expenses in the Statement of Activities and Changes in Net Assets.

13. Commitments and Contingencies

Amounts are received and expended by the University under federal contracts and are subject to audit by governmental agencies. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although the University expects such amounts, if any, to be immaterial.

The University is committed under certain construction contracts in the amount of $4,087,000 as of May 31, 2017.

The University has entered into a noncancelable lease agreement for building space. The lease contains customary escalation clauses, which are included in the annual aggregate minimum leases. Future minimum lease payments as of May 31, 2017 are as follows (*in thousands*):

Fiscal Year Ending May 31,	
2018	$ -
2019	2,224
2020	2,313
2021	2,406
2022	2,502
Thereafter	23,974

At May 31, 2017, the University has open commitments to invest approximately $56,312,000 with alternative investment managers.

The University's workers' compensation carrier requires that the University maintain an unsecured letter of credit for claims that fall below the deductible amount. At May 31, 2017, the amount of the letter of credit facility was $2,450,000. The letter of credit was not used during the years ended May 31, 2017 and 2016 and therefore no liability was recorded in the Statement of Financial Position.

The University is a defendant in various legal actions incident to the conduct of its operations. The University's management does not expect that liabilities, if any, related to these legal actions would have a material effect on the University's financial position at May 31, 2017.

14. Subsequent Events

Management has evaluated subsequent events through October 2, 2017, the date the financial statements were available to be issued. There are no events that require adjustment or additional disclosure in these financial statements.

Loyola Marymount University
Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2017

Federal Grant/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Student Financial Aid - Cluster				
Department of Education:				
Federal Perkins Loan Program (Note 5)	84.038			
Outstanding Loans at May 31, 2016				$ 12,438,678
New Loans Issued during FY 2017				1,041,052
Administrative Cost Allowance				224,704
Federal Direct Loans Program	84.268			97,916,856
Federal Work Study Program	84.033			1,425,257
Federal Supplemental Educational Opportunity Grant Program	84.007			599,941
Federal Pell Grant Program	84.063			4,969,843
Teacher Education Assistance for College and Higher Education Grant	84.379			127,089
Total Student Financial Aid Cluster				118,743,420
Research & Development and Research Training - Cluster				
National Science Foundation				
RUI: Mechanisms Regulating Facultative Migrations of the Pine Siskin	47.050			124,805
RUI: Mechanistic Causes and Consequences of Micro-Scale Spatial Variation Within Intertidal Populations	47.074			129,598
Teaching Artificial Intelligence as a Laboratory Science	47.076			12,427
Quality Urban Ecology Science Teaching for Diverse Learners	47.076			145,046
The ACCESS Scholarship Program	47.076			68,675
Lions Roar: LMU Noyce Scholarship Program	47.076			71,998
Total 47.076				298,146
Pass-Through Programs From:				
American University				
Opening New Views Into Bankruptcy and Credit Markets Using Court Records	47.075	SES-1355742		2,477
Arizona State University				
Making Grades Meaningful - Standards-Based Grading for Engineering Project Courses	47.076	DUE-1503794		8,719
Total National Science Foundation				563,745
Department of Health and Human Services				
Health Resources and Services Administration				
Behavioral Health Workforce Education and Training for Professionals and Paraprofessionals	93.243			46,573
National Institute on Alcohol Abuse and Alcoholism				
Alcohol and Bone Health: Skeletal Effects of Heavy Episodic Drinking in College Students	93.273			217,031
National Institute on Alcohol Abuse and Alcoholism				
The Role of Social Media in the Alcohol-Risk Trajectories of First-Year Students	93.273			9,921
Total 93.273				226,952
National Institute of Diabetes and Digestive and Kidney Diseases				
Investigating the Link between IAPP Amyloidogenicity and Diabetes Propensity within the Animal Kingdom	93.847			22,725
Pass-Through Programs From:				
Community Coalition for Substance Abuse Prevention & Treatment				
Creating Healthy Communities	93.738	U58DP005827		116,952
Total Department of Health and Human Services				413,202
Total Research & Development and Research Training Cluster				976,947

Loyola Marymount University
Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2017

Federal Grant/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
TRIO - Cluster				
Department of Education				
LMU Upward Bound Program	84.047A			225,805
McNair Post-Baccalaureate Achievement Program	84.217A			303,288
Total TRIO Cluster				529,093
Child Nutrition - Cluster				
Department of Agriculture				
California Department of Education-Summer Food Program	10.559			12,894
Other Direct Programs				
Department of Agriculture, Forest Service				
Cities and the Environment (CATE) E-Journal	10.652			15,000
Department of Defense				
National Security Agency				
LMU STARTALK 2016 Mandarin Student Summer Immersion Program	12.900			110,624
LMU 2017 Mandarin Student Summer Immersion Program and LMU 2017 Mandarin Teacher Summer Institute	12.900			3,899
Total Department of Defense				114,523
Department of Education				
Project STELLAR: Teaching for Critical Transitions (Science Teaching English Learners - Leveraging Academic Rigor)	84.365Z		$ 89,570	334,385
Rigorous Opportunities for Young-Children to Accelerate Language and Literacy: Effects of the Sobrato Early Academic Language Model (Project ROYAL)	84.365Z			345,251
Total Department of Education				679,636
Institute of Museum and Library Services				
Institute for Research Design in Librarianship (IRDL)	45.313		25,311	96,372
Building Research Capability Among Academic Librarians (IRDL-2)	45.313			7,851
Total Institute of Museum and Library Services				104,223
National Endowment for the Humanities				
NEH Enduring Questions Course on Grief and Mourning	45.163			17,498
Total Other Direct Programs				930,880
Other Pass-Through Programs				
Pass-Through Programs From:				
Department of Education				
Los Angeles Unified School District				
Integrating L.A.'s Culture & Context into Visual Arts Professional Development	84.351C	U351C140064		244,382
University of California Office of the President				
California Reading and Literature Project Loyola Marymount University	84.367A	S367A160005		37,939
Total Department of Education				282,321
Department of the Interior, Bureau of Reclamation				
Metropolitan Water District of Southern California				
Water Infiltration and Pollutant Removal Efficiencies of the Ballona Creek Rain Gardens	15.530	R14AP00057		7,875
Total Other Pass-Through Programs				290,196
Total Expenditures of Federal Awards			$ 114,881	$ 121,483,430

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Loyola Marymount University (the "University") under programs of the federal government for the year ended May 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in the Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions,* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

For purposes of this Schedule, federal awards include all grants, contracts, and similar agreements entered into directly and indirectly between the University and agencies and departments of the federal government.

3. Indirect Cost Rate

The University has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

4. Commingled Assistance

The California Student Aid Commission (CSAC) administers the State Cal Grant A and B Programs, selects the student recipients of these grant awards, and provides funds to participating institutions for disbursement. Federal Temporary Assistance for Needy Families (TANF) funds, CFDA Number 93.558, from the United States Department of Health and Human Services may comprise up to approximately 46% of the total funding for these Cal Grant awards. In fiscal year 2017, the University received Cal Grant A and B funds in the amount of $7,613,292; however, CSAC is unable to determine the exact amount of TANF funds, if any, represented in those awards. Therefore, the Schedule of Expenditures of Federal Awards does not include State Cal Grant A and B awards.

5. Federal Perkins Loan Program

The Federal Perkins Loan Program, CFDA Number 84.038, is administered directly by the University, and balances and transactions relating to this program are included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year as well as $224,704 in administrative costs allowances claimed are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at May 31, 2017 is $10,965,575.

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

To the Board of Trustees of
Loyola Marymount University

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 financial statements of Loyola Marymount University (the "University"), which comprise the statement of financial position as of May 31, 2017, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2017.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

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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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

October 2, 2017

Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

To the Board of Trustees of
Loyola Marymount University

Report on Compliance for Each Major Federal Program

We have audited Loyola Marymount 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 each of the University's major federal programs for the year ended May 31, 2017. The University's major federal programs are 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 and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Loyola Marymount University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2017.

Other Matters

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

The University's response to the noncompliance finding identified in our audit is described in the Management's Views and Corrective Action Plan and is included at the end of this report after the Summary Schedule of Prior Audit Findings. 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

PricewaterhouseCoopers LLP

December 5, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs:

CFDA Numbers	***Name of Federal Program or Cluster***
Various as listed in the accompanying SEFA	Student Financial Assistance Cluster
Various as listed in the accompanying SEFA	TRIO Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings and Questioned Costs

Finding 2017-001 – Timely Reporting of Enrollment Reporting (Direct Loans)

Grantor: US Department of Education
Award Name: Federal Direct Loans Program (Student Financial Aid Cluster)
Award Year: 2017
CFDA Number: 84.268

Criteria
Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. (Direct Loan, 34 CFR section 685.309)

Condition
In a sample of 40 students out of 2,826 who withdrew, took a leave of absence or graduated during the year ended May 31, 2017, one enrollment reporting change was not reported within the required 60 days. The condition that caused the reporting change was determined to apply to all summer 2016 graduates of the Loyola Law School; as such seven enrollment reporting changes were identified which were not reported within the required 60 days.

Questioned Costs
None noted.

Cause
The primary cause for the untimely reported enrollment reporting changes related to the absence of appropriate review over the listing of students with status changes for the period prior. Inappropriate parameters were used to generate the listing, causing graduates of the Loyola Law School summer 2016 semester to not be reported timely.

Effect
The effective administration of Title IV loans could be impacted when changes in enrollment reporting are not reported timely and accurately. The accuracy of enrollment information is important as a student's enrollment status determines eligibility for in-school status, deferment, grace periods, and repayments, as well as the federal government's payment of interest subsidies. In the cases above, there was no financial impact on the Federal government, as borrowers are entitled to one 6-month grace period after ceasing to attend a school at least half time.

Recommendation
The University should review and improve its processes to ensure that enrollment reporting changes are reported within the required timeframe.

Management's Corrective Action Plan
Management's response is reported in "Management's Views and Corrective Action Plan" and is included at the end of this report.

Finding 2016-001 – Timesheet Approval by Authorized Supervisor (Work Study) – Significant Deficiency

In a sample of 51 students out of 1,653 who received federal work study ("FWS") wages during the year ended May 31, 2016, there were 10 students with one to three timesheets not approved by an authorized supervisor. The total number of unapproved timesheets for these 10 students was 15.

The University's process to ensure that FWS students are paid for work performed includes the review and approval by supervisors of FWS student time records. In these instances, supervisors did not fully understand their responsibilities and requirements for approving all FWS student timesheets on a regular basis, or supervisors were absent or unavailable when approval was required, and they neglected to designate another responsible individual to approve the time sheets in their absence.

PwC recommended the University should review and improve its processes and controls to ensure that all federal work study timesheets are appropriately reviewed and approved by an authorized supervisor.

Current Status

Management continues to seek improvements in supervisor trainings and communications to emphasize the compliance requirement of timely review and approval of student time records. Furthermore, management continues to provide additional tools and reports to supervisors to monitor compliance with the requirement of timely review and approval of student time records.

LMU|LA
Loyola Marymount
University

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Finding 2017-001 – Timely Reporting of Enrollment Reporting (Direct Loans)

Corrective Plan of Action

We agree with the above finding and note that this is not a pervasive issue. A total of seven enrollment reporting changes were identified which were not reported within the required 60 days and in these cases there was no financial impact on the Federal government.

Management has implemented two changes to the degree verification process at Loyola Law School effective October 2017. The report parameters have been altered removing the default term/semester code and requiring manual entry of the reporting term/semester code; failure to enter the correct term will not generate an exportable file. Furthermore reporting intervals have been increased from two submissions per term to four submissions per term to reduce the potential for untimely reporting issues.

Contact Person: Aimee Uen, University Controller