

**BRADLEY UNIVERSITY**  
Peoria, Illinois

**REPORTING PACKAGE REQUIRED BY  
THE UNIFORM GUIDANCE**

**YEARS ENDED MAY 31, 2016 AND 2015**



**CliftonLarsonAllen**

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**BRADLEY UNIVERSITY  
TABLE OF CONTENTS  
YEARS ENDED MAY 31, 2016 AND 2015**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>31</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>33</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>36</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>39</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>41</b>
<b>CORRECTIVE ACTION PLAN</b>	<b>45</b>
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b>	<b>47</b>

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Bradley University  
Peoria, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bradley University, which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bradley University as of May 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information - Schedule of Expenditures of Federal Awards*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, on our consideration of Bradley 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 result 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 Bradley University's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Peoria, Illinois  
September 27, 2016

**BRADLEY UNIVERSITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

<b>ASSETS</b>	2016	2015
Cash and Cash Equivalents	\$ 12,595	\$ 5,204
Accounts Receivable:		
Tuition and Fees, Net of \$450 and \$400 Allowance in 2016 and 2015, Respectively	1,336	1,215
Government Grants and Appropriations	3,561	650
Other	1,759	2,400
Student Loans, Net of \$350 Allowance in 2016 and 2015	5,411	5,748
Deferred Charges and Other	2,162	2,217
Contributions Receivable, Net of \$6,657 and \$2,825 Allowance in 2016 and 2015, Respectively	18,825	27,309
Investments	262,154	275,930
Property, Plant, and Equipment, Net	305,850	312,784
Total Assets	\$ 613,653	\$ 633,457
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accrued Wages and Related Taxes	\$ 12,212	\$ 14,129
Accounts Payable and Accrued Expenses	6,334	8,142
Student Deposits	1,470	1,470
Deferred Revenue	4,409	1,594
Reserve for Annuities	3,634	4,085
Refundable Government Loan Fund	4,124	4,094
Postretirement Benefits Other than Pensions	39,547	50,158
Notes Payable	398	408
Capital Lease Obligation	1,176	1,277
Swap Contract	5,940	5,722
Bonds Payable, Net	111,310	112,567
Total Liabilities	190,554	203,646
<b>NET ASSETS</b>		
Unrestricted	296,083	300,467
Temporarily Restricted	57,945	61,079
Permanently Restricted	69,071	68,265
Total Net Assets	423,099	429,811
Total Liabilities and Net Assets	\$ 613,653	\$ 633,457

See accompanying Notes to Financial Statements.

**BRADLEY UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED MAY 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2015)**  
**(IN THOUSANDS OF DOLLARS)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
<b>OPERATING REVENUES AND OTHER ADDITIONS</b>					
Tuition and Fees	\$ 151,726	\$ -	\$ -	\$ 151,726	\$ 150,402
Tuition Allowance	(51,326)	-	-	(51,326)	(49,196)
Net Tuition and Fees	100,400	-	-	100,400	101,206
Contributions	1,858	(337)	878	2,399	14,133
Government Grants and Appropriations	3,453	-	-	3,453	5,897
Contracts	1,167	-	-	1,167	1,111
Investment Return Designated for Current Operations	12,179	133	185	12,497	11,604
Auxiliary	22,165	-	-	22,165	23,390
Other Income	6,443	20	1	6,464	6,494
Net Assets Released from Restrictions	3,220	(3,220)	-	-	-
Total Operating Revenue and Other Additions	150,885	(3,404)	1,064	148,545	163,835
<b>OPERATING EXPENDITURES</b>					
Instructional and Research	53,547	-	-	53,547	52,687
Operation and maintenance of Plant	10,060	-	-	10,060	9,744
General Institutional	29,439	-	-	29,439	27,454
Student Services	9,297	-	-	9,297	8,724
General Administrative	6,144	-	-	6,144	6,428
Library	2,562	-	-	2,562	2,765
Public Service, Information, and Fundraising	3,606	-	-	3,606	4,086
Auxiliary	22,329	-	-	22,329	24,121
Interest on Indebtedness	3,441	-	-	3,441	3,548
Depreciation	13,140	-	-	13,140	13,953
Total Operating Expenditures	153,565	-	-	153,565	153,510
Change in Net Assets from Operating Activities	(2,680)	(3,404)	1,064	(5,020)	10,325
<b>NONOPERATING REVENUE AND EXPENDITURES</b>					
Net Investment Depreciation					
Less Return Designated for Current Operations	(20,669)	(91)	(141)	(20,901)	(1,927)
Capital Gifts	305	2,067	-	2,372	1,435
Swap Contract Loss	(218)	-	-	(218)	(357)
Postretirement Benefits Related Charges					
Other Than Periodic Cost	17,099	-	-	17,099	(10,069)
Non-Recurring Transitional Costs	-	-	-	-	(3,274)
Change in Donor Restrictions	1,775	(1,819)	44	-	-
Changes in Split Interest Arrangements	4	113	(161)	(44)	(513)
Change in Net Assets from Nonoperating Activities	(1,704)	270	(258)	(1,692)	(14,705)
<b>TOTAL CHANGES IN NET ASSETS</b>	(4,384)	(3,134)	806	(6,712)	(4,380)
Net Assets - Beginning of Year	300,467	61,079	68,265	429,811	434,191
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 296,083</u>	<u>\$ 57,945</u>	<u>\$ 69,071</u>	<u>\$ 423,099</u>	<u>\$ 429,811</u>

See accompanying Notes to Financial Statements.

**BRADLEY UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED MAY 31, 2015**  
**(IN THOUSANDS OF DOLLARS)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015
<b>OPERATING REVENUES AND OTHER ADDITIONS</b>				
Tuition and Fees	\$ 150,402	\$ -	\$ -	\$ 150,402
Tuition Allowance	(49,196)	-	-	(49,196)
Net Tuition and Fees	101,206	-	-	101,206
Contributions	1,580	10,977	1,576	14,133
Government Grants and Appropriations	5,897	-	-	5,897
Contracts	1,111	-	-	1,111
Investment Return Designated for Current Operations	11,392	39	173	11,604
Auxiliary	23,390	-	-	23,390
Other Income	6,491	2	1	6,494
Net Assets Released from Restrictions	3,360	(3,360)	-	-
Total Operating Revenue and Other Additions	154,427	7,658	1,750	163,835
<b>OPERATING EXPENDITURES</b>				
Instructional and Research	52,687	-	-	52,687
Operation and maintenance of Plant	9,744	-	-	9,744
General Institutional	27,454	-	-	27,454
Student Services	8,724	-	-	8,724
General Administrative	6,428	-	-	6,428
Library	2,765	-	-	2,765
Public Service, Information, and Fundraising	4,086	-	-	4,086
Auxiliary	24,121	-	-	24,121
Interest on Indebtedness	3,548	-	-	3,548
Depreciation	13,953	-	-	13,953
Total Operating Expenditures	153,510	-	-	153,510
Change in Net Assets from Operating Activities	917	7,658	1,750	10,325
<b>NONOPERATING REVENUE AND EXPENDITURES</b>				
Net Investment Appreciation (Depreciation)				
Less Return Designated for Current Operations	(2,047)	61	59	(1,927)
Capital Gifts	340	1,095	-	1,435
Swap Contract Loss	(357)	-	-	(357)
Postretirement Benefits Related Charges				
Other Than Periodic Cost	(10,069)	-	-	(10,069)
Non-Recurring Transitional Costs	(3,274)	-	-	(3,274)
Change in Donor Restrictions	(13)	(155)	168	-
Changes in Split Interest Arrangements	(93)	(208)	(212)	(513)
Change in Net Assets from Nonoperating Activities	(15,513)	793	15	(14,705)
<b>TOTAL CHANGES IN NET ASSETS</b>	(14,596)	8,451	1,765	(4,380)
Net Assets - Beginning of Year	315,063	52,628	66,500	434,191
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 300,467</u>	<u>\$ 61,079</u>	<u>\$ 68,265</u>	<u>\$ 429,811</u>

See accompanying Notes to Financial Statements.



**BRADLEY UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (6,712)	\$ (4,380)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	13,140	13,952
Provision for Uncollectible Contributions and Accounts Receivable	3,832	795
Net Accretion of Premiums and Discounts on Bonds Payable and Bond Issuance Costs	(53)	(55)
Net Realized and Unrealized Loss (Gains) on Investments	10,590	(7,990)
Swap Contract Loss	218	357
Post Retirement Benefits Related Charges Other than Periodic Cost	(17,099)	10,069
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(2,390)	1,488
Deferred Charges and Other	(19)	(94)
Contributions Receivable	4,653	(8,227)
Accounts Payable, Accrued Expenses, and Accrued Wages	(3,727)	3,171
Student Deposits	-	(210)
Deferred Revenue	2,815	(32)
Reserve for Annuities	(451)	(6)
Postretirement Benefits	6,488	3,763
Contributions Restricted for Long-Term Investment	(1,260)	(1,512)
Interest and Dividends Restricted for Long-Term Investment	(196)	(205)
Net Cash Provided by Operating Activities	9,829	10,884
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	16,848	26,580
Purchase of Investments	(13,662)	(21,873)
Purchase of Property and Equipment	(6,206)	(6,413)
Withdrawal of Deposit with Trustee	3,488	4,554
Deposit with Trustee	(3,488)	(4,554)
Net Cash Used by Investing Activities	(3,020)	(1,706)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Long-Term Investment	1,260	1,512
Interest and Dividends Restricted for Long-Term Investment	196	205
Net Payments on Line of Credit	-	(6,000)
Payments on Notes Payable	(10)	(9)
Payments on Bonds Payable	(1,130)	(2,135)
Increase in Refundable Government Loan Funds, Net	367	(157)
Payments on Capital Lease Obligation	(101)	(101)
Net Cash Provided (Used) by Financing Activities	582	(6,685)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	7,391	2,493
Cash and Cash Equivalents - Beginning of Year	5,204	2,711
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 12,595	\$ 5,204
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 3,623	\$ 3,696

See accompanying Notes to Financial Statements.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 1 OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Operations**

Bradley University (the University) provides educational opportunities to qualified students from throughout the world.

**Basis of Presentation**

The University prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which require classification of net assets and revenues, expenses, gains, and losses based on the absence or existence of donor-imposed restrictions into three categories: unrestricted net assets which have no donor-imposed restrictions and are available for any purpose consistent with the University's mission; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future and normally fund specific expenditures of an operating or capital nature, such as life income funds, student loan funds, and pledges; and permanently restricted net assets which have donor-imposed restrictions that do not expire and are normally restricted to long-term investment with income earned and appreciation available for specific or general University purposes, such as life income funds, endowment funds, and pledges.

The University's financial statements are prepared on the accrual basis of accounting.

**Cash and Cash Equivalents**

The University defines cash equivalents as securities with original maturities of 90 days or less.

**Revenue Recognition**

Revenues from tuition and fees are reported in the fiscal year in which educational programs are conducted. Tuition and fees billed in the current fiscal year relating to programs delivering services in future periods are reported as deferred revenue and/or student deposits.

**Auxiliary Enterprises**

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the University's auxiliaries consist principally of dining halls, residence halls, and intercollegiate athletics. Auxiliary enterprise revenues and fully costed expenses are reported as changes in unrestricted net assets.

**Investments and Investment Income**

Investments in equity securities with readily determinable fair values and all investments in debt securities are presented at fair value. Investments in farms are stated at appraised value while other real estate investments are stated at acquisition cost or, for gifts, at fair value on the date of receipt. The net realized and unrealized appreciation or depreciation in the fair value of investments is reflected in the statements of activities.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 1 OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Investments and Investment Income (Continued)**

Endowment funds are accounted for with a unitized accounting system. Individual funds within the investment pool are assigned units based on their proportionate share of the investments in the pool. Additions and subtractions are assigned units based on the unit value at the time of the additions or subtractions. Net appreciation or depreciation on endowment funds and all other funds is classified in the accompanying financial statements based on restrictions by the donor or by law.

An individual endowment fund is considered to be underwater if the fund is permanently restricted and the fair value has decreased below its historic dollar value. Due to the recent market conditions, the University has approximately 66 of 665 individual endowment funds whose market values are \$268 in total under their historical cost that are considered to be "underwater." Spending associated with endowment funds is governed by the Uniform Prudent Management of Institutional Funds Act and places stipulations upon spending from underwater endowment funds.

Purchases and sales of investment securities are recorded on the trade-date basis. Dividends are recorded on the ex-dividend date and interest is recorded as earned.

**Bond Issuance Costs**

Bond issuance costs of \$1,031 and \$1,105 are included in deferred charges on the statements of financial position at May 31, 2016 and 2015, respectively. These deferred charges are being amortized using both the straight-line and interest methods over the term of the related debt. At May 31, 2016 and 2015, accumulated amortization on the bond issuance costs was \$1,112 and \$1,032, respectively.

**Property, Plant, and Equipment**

Land, buildings, and equipment are stated at acquisition cost less accumulated depreciation. Donations of property are recorded at fair market value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of each asset type. The University has adopted a policy of capitalizing assets with values of \$1 (one thousand dollars) or greater.

**Impairment of Long-Lived Assets**

The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 1 OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Income Taxes**

The University is exempt from federal and state income taxes under the applicable U.S. and Illinois internal revenue codes for related income. No provision has been made in the accompanying financial statements as the University believes there is no significant unrelated business income.

**Use of Estimates in the Preparation of Financial Statements**

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

At May 31, 2016 and 2015, reserves have been established for uncollectible accounts, student loans, and contributions receivable. These reserves have been estimated based on historical collection and allowance practices, as well as an evaluation by management of current trends.

Contributions receivable, annuities receivable, and the reserve for annuities are based on estimated fair values using discount rates. The University believes the methods and assumptions used are appropriate.

The liability for postretirement benefits other than pensions is based on actuarial studies. The University believes the methods and assumptions used in computing this liability are appropriate.

**Change in Donor Restrictions**

A donor may change their imposed restrictions subsequent to the initial contribution. When such a change occurs, the net asset balance of the contribution is reclassified to reflect the current status of the restriction, if any.

**Subsequent Events**

The University evaluated subsequent events through September 27, 2016, the date the financial statements were available to be issued.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 2 INVESTMENTS**

A summary of the fair values of investments at May 31, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Short-Term Funds Held for Investment	\$ 458	\$ 458
Equities and Equity Mutual Funds	143,014	152,317
Alternative Investments	73,663	71,305
Fixed Income Assets	25,092	32,552
Mortgages and Notes	443	459
Real Estate and Farms	11,376	11,523
Other Investments	<u>8,108</u>	<u>7,316</u>
Total	<u>\$ 262,154</u>	<u>\$ 275,930</u>

Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities. The timing of the reallocation of investments as of May 31, 2016 and 2015 caused \$458 to be held in short-term funds held for investment.

Investment return for the years ended May 31, 2016 and 2015 is comprised of the following:

	<u>2016</u>	<u>2015</u>
Investment Income	\$ 2,186	\$ 1,687
Net Realized and Unrealized Gains (Losses) on Investments Reported at Fair Value	<u>(10,590)</u>	<u>7,990</u>
Total Return on Investments, Net	(8,404)	9,677
Investment Return Designated for Current Operations	<u>(12,497)</u>	<u>(11,604)</u>
Net Depreciation on Investments	<u>\$ (20,901)</u>	<u>\$ (1,927)</u>

**Endowments**

Bradley University endowments consist of 665 funds established to support a variety of purposes at the University. Its endowments consist of both donor-restricted endowment funds and funds designated by the Board of Trustees (Board) to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 2 INVESTMENTS (CONTINUED)**

**Endowments (Continued)**

Interpretation of Relevant Law

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the University classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University's Board. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose 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
7. The investment policies of the University

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce long-term investment gain with a tolerance for managed risk.

Spending Policy

The University has a policy of appropriating for distribution each year up to 5% of the endowment fund's average appreciated value over a moving three-year average.

In establishing this policy, the University considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the University expects the current spending policy will allow its endowment to retain or enhance the original fair value of the gift.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 2 INVESTMENTS (CONTINUED)**

**Endowments (Continued)**

Strategies Employed for Achieving Objectives

The University relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends).

2016 endowment net asset composition by type of fund as of May 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 9,742	\$ 69,071	\$ 78,813
Board Designated Endowment Funds	<u>216,747</u>	<u>-</u>	<u>-</u>	<u>216,747</u>
Total funds	<u>\$ 216,747</u>	<u>\$ 9,742</u>	<u>\$ 69,071</u>	<u>\$ 295,560</u>

Changes in endowment net assets for the year ended May 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 222,759	\$ 9,443	\$ 68,265	\$ 300,467
Investment Return:				
Investment Income	184	112	185	481
Net Appreciation (Depreciation)	<u>7,491</u>	<u>551</u>	<u>(302)</u>	<u>7,740</u>
Total	<u>7,675</u>	<u>663</u>	<u>(117)</u>	<u>8,221</u>
Contributions	902	229	878	2,009
Other, Net	2,049	(42)	45	2,052
Appropriation of Endowment Assets for Expenditure	<u>(16,638)</u>	<u>(551)</u>	<u>-</u>	<u>(17,189)</u>
Net Assets - End of Year	<u>\$ 216,747</u>	<u>\$ 9,742</u>	<u>\$ 69,071</u>	<u>\$ 295,560</u>

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 2 INVESTMENTS (CONTINUED)**

**Endowments (Continued)**

Strategies Employed for Achieving Objectives (Continued)

2015 endowment net asset composition by type of fund as of May 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 9,443	\$ 68,265	\$ 77,708
Board Designated Endowment Funds	<u>222,759</u>	<u>-</u>	<u>-</u>	<u>222,759</u>
Total funds	<u>\$ 222,759</u>	<u>\$ 9,443</u>	<u>\$ 68,265</u>	<u>\$ 300,467</u>

Changes in endowment net assets for the year ended May 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 216,609	\$ 8,864	\$ 66,500	\$ 291,973
Investment Return:				
Investment Income	129	56	205	390
Net Appreciation (Depreciation)	<u>20,562</u>	<u>483</u>	<u>(184)</u>	<u>20,861</u>
Total	<u>20,691</u>	<u>539</u>	<u>21</u>	<u>21,251</u>
Contributions	996	380	1,576	2,952
Other	1,260	252	168	1,680
Appropriation of Endowment Assets for Expenditure	<u>(16,797)</u>	<u>(592)</u>	<u>-</u>	<u>(17,389)</u>
Net Assets - End of Year	<u>\$ 222,759</u>	<u>\$ 9,443</u>	<u>\$ 68,265</u>	<u>\$ 300,467</u>

**NOTE 3 CONTRIBUTIONS**

Unconditional contributions receivable, less an appropriate reserve, are recorded at their estimated fair value with amounts due later than one year recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. The University utilized a discount rate of 1.70% for pledges received in 2016 and 1.82% for pledges received in 2015 to arrive at this present value. At May 31, 2016, the discount rates for all outstanding pledges ranged from 1.2% to 5.7%. The expiration of a donor-imposed restriction on a contribution or endowment is recognized in the period in which the restriction expires, and the related resources are reclassified to unrestricted net assets at that time. Conditional promises to give are not included as contributions until the conditions are substantially met.



**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 3 CONTRIBUTIONS (CONTINUED)**

Unconditional contributions receivable at May 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Contributions Due in:		
Less Than One Year	\$ 6,798	\$ 11,406
One Year to Five Years	18,912	18,797
Six Years or Greater	700	780
Less: Discount to Present Value and Allowance	<u>(7,585)</u>	<u>(3,674)</u>
Total	<u>\$ 18,825</u>	<u>\$ 27,309</u>

Contributions receivable are distributed between net asset classifications as follows at May 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Temporarily Restricted	\$ 17,676	\$ 25,779
Permanently Restricted	<u>1,149</u>	<u>1,530</u>
Total	<u>\$ 18,825</u>	<u>\$ 27,309</u>

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at May 31, 2016 and 2015.

*Equities, equity mutual funds, and short-term funds:* Valued at the closing price reported on the active market on which the individual securities are traded. Those classified in Level 2 are valued based on other observable inputs such as the published net asset value.

*Fixed income assets:* Valued at the closing price reported on the active market on which the individual securities are traded for those classified in Level 1. Those classified in Level 2 are valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type.

*Alternative investments:* Valued based on information provided by the manager of the various funds, developed utilizing net asset value, prices or quotes of similar assets or liabilities, or other discounted cash flow models.

*Mortgages and notes:* Valued at the cost, which approximates fair value.

*Real estate and farms:* Valued at the current appraised value.

*Other investments:* Valued at the carrying amount, which approximates fair value.

*Interest rate swap agreement:* Valued by a third party using a model that builds a yield curve from market data for actively traded securities at various times and maturities and takes into account current interest rates and the current creditworthiness of the respective counterparties.

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

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following tables set forth by level, within the fair value hierarchy, the University's assets and liabilities at fair value as of May 31, 2016 and 2015:

	Assets at Fair Value as of May 31, 2016			
	Level 1	Level 2	Level 3	Total
Short-Term Funds	\$ 458	\$ -	\$ -	\$ 458
Equities and Equity Mutual Funds	131,594	11,420	-	143,014
Fixed Income Assets	15,700	9,392	-	25,092
Alternative Investments:				
Venture Capital	-	-	30,798	30,798
Hedge Funds	-	-	28,416	28,416
Opportunistic Funds	-	-	14,449	14,449
Mortgages and Notes	-	-	443	443
Real Estate and Farms	-	11,376	-	11,376
Other Investments	922	7,186	-	8,108
Total Assets at Fair Value	\$ 148,674	\$ 39,374	\$ 74,106	\$ 262,154

	Liabilities at Fair Value as of May 31, 2016			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap Agreement	\$ -	\$ 5,940	\$ -	\$ 5,940

	Assets at Fair Value as of May 31, 2015			
	Level 1	Level 2	Level 3	Total
Short-Term Funds	\$ 458	\$ -	\$ -	\$ 458
Equities and Equity Mutual Funds	141,207	11,110	-	152,317
Fixed Income Assets	22,004	10,548	-	32,552
Alternative Investments:				
Venture Capital	-	-	28,478	28,478
Hedge Funds	-	-	28,494	28,494
Opportunistic Funds	-	-	14,333	14,333
Mortgages and Notes	-	-	459	459
Real Estate and Farms	-	11,523	-	11,523
Other Investments	919	6,397	-	7,316
Total Assets at Fair Value	\$ 164,588	\$ 39,578	\$ 71,764	\$ 275,930

	Liabilities at Fair Value as of May 31, 2015			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap Agreement	\$ -	\$ 5,722	\$ -	\$ 5,722

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
(IN THOUSANDS OF DOLLARS)

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following tables set forth a summary of changes in fair value of the University's Level 3 assets and liabilities for the years ended May 31, 2016 and 2015:

	<u>Level 3 Assets</u> Year Ended May 31, 2016	<u>Level 3 Assets</u> Year Ended May 31, 2015
<b>Balance - Beginning of Year</b>	\$ 71,764	\$ 67,504
Realized Gains (Losses)	(1,330)	1,313
Unrealized Gains (Losses)	(900)	388
Purchases, Settlements, Return on Capital (Net)	<u>4,572</u>	<u>2,559</u>
<b>Balance - End of Year</b>	<u>\$ 74,106</u>	<u>\$ 71,764</u>

**Assets Measured Using Net Asset Value (or its Equivalent)**

Fair value measurements of investments that calculate Net Asset Value per share (or its equivalent) as of May 31, 2016:

	<u>Net Asset</u> <u>Value</u>	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency (If</u> <u>Currently</u> <u>Eligible)</u>	<u>Redemption</u> <u>Notice</u> <u>Period</u>
Equity Mutual Funds	\$ 11,420	\$ -	Daily	N/A
Fixed Income Assets	9,392	-	Monthly	30 Days
Alternative Investments:				
Venture Capital	30,798	14,911	Monthly/ Quarterly	30 - 90 Days
Hedge Funds	28,416	2,949	Monthly/ Quarterly	30 - 180 Days
Opportunistic Funds	<u>14,449</u>	<u>-</u>	Bi-Monthly	30 Days
Total	<u>\$ 94,475</u>	<u>\$ 17,860</u>		

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
(IN THOUSANDS OF DOLLARS)

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Assets Measured Using Net Asset Value (or its Equivalent) (Continued)**

Fair value measurements of investments that calculate Net Asset Value per share (or its equivalent) as of May 31, 2015:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Equity Mutual Funds	\$ 11,110	\$ -	Daily	N/A
Fixed Income Assets	10,548	-	Monthly	30 Days
Alternative Investments:				
Venture Capital	28,478	13,333	Monthly/ Quarterly	30 - 90 Days
Hedge Funds	28,494	-	Monthly/ Quarterly	30 - 180 Days
Opportunistic Funds	<u>14,333</u>	<u>-</u>	Bi-Monthly	30 Days
Total	<u>\$ 92,963</u>	<u>\$ 13,333</u>		

*Equity mutual funds* include investments in funds that are invested in domestic and emerging market, and international common stocks. The fair value of the investments in this category is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the University is able to verify its account balances.

*Fixed income assets* include investments in funds with an objective of providing consistent returns with a diversified portfolio of emerging market, inflation-linked fixed income instruments, equity securities, and debt obligations. The fair value of the investments in this category has been based on quoted market prices or the net asset value per share of the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the University is able to verify its account balances.

*Hedge funds and venture capital* include investments in portfolio funds invested in domestic equity markets, partnerships, buyouts, or other limited liability vehicles. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

*Opportunistic funds* include funds invested primarily in a diversified portfolio of fixed-income securities including lower-rated, higher-yield corporate, and mortgage bonds. The fair value of the funds in this category has been estimated using the net asset value per share of the investments.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
(IN THOUSANDS OF DOLLARS)

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Assets Measured Using Net Asset Value (or its Equivalent) (Continued)**

The following methods were used to estimate the fair value of the following financial instruments:

**Contributions Receivable** – The fair value is estimated based upon the present value of the expected future cash flows, discounted based on a risk-free rate.

**Reserve for Annuities** – The fair value is estimated based upon actuarially determined present values considering the income beneficiaries and applicable discount rates based on federal tables.

For all other financial instruments, the fair values approximate the carrying values in the accompanying financial statements.

**NOTE 5 PROPERTY, PLANT, AND EQUIPMENT, NET**

	Depreciable <u>Life</u>	<u>May 31,</u>	
		<u>2016</u>	<u>2015</u>
Educational Plant:			
Land		\$ 25,145	\$ 25,145
Buildings	20-60	262,775	262,620
Equipment	3-10	62,185	62,242
Improvement Other Than Buildings	20	30,079	29,935
Construction in Progress		5,101	3,174
Accumulated Depreciation		<u>(133,389)</u>	<u>(126,164)</u>
		251,896	256,952
Residential Halls:			
Buildings	20-60	81,356	78,905
Equipment	3-10	3,618	3,549
Construction in Progress		-	549
Accumulated Depreciation		<u>(35,174)</u>	<u>(31,457)</u>
		49,800	51,546
Fraternity and Sorority Housing			
Rental Property	20-60	4,974	4,974
Accumulated Depreciation	20-30	1,371	1,361
		<u>(2,191)</u>	<u>(2,049)</u>
		4,154	4,286
Total		<u>\$ 305,850</u>	<u>\$ 312,784</u>

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 6 LINE OF CREDIT ARRANGEMENTS**

The University has formal line of credit arrangements with two banks. The first arrangement permits borrowing up to \$16,500 on an unsecured basis at the one-month LIBOR rate plus 100 basis points. There is also a letter of credit included under this arrangement in the amount of \$1,500. The University had no borrowings under this arrangement as of May 31, 2016 or 2015. The line of credit arrangement expires March 27, 2017. This line of credit agreement contains financial covenants pertaining to an annual debt service coverage ratio and an unrestricted cash and investments to long-term indebtedness ratio. The University was in compliance with these financial covenants at May 31, 2016.

The second arrangement was entered into during fiscal year 2013, and, as of May 31, 2016 permits borrowing up to \$10,000 on an unsecured basis at the LIBOR rate plus 80 basis points. The University incurs non-usage fees at the LIBOR rate plus 25 basis points. The University had no borrowings under this arrangement as of May 31, 2016 or 2015. The line of credit arrangement expires January 31, 2017. This line of credit agreement contains financial covenants pertaining to an annual debt service coverage ratio and an unrestricted cash and investments to long-term indebtedness ratio. The University was in compliance with these financial covenants at May 31, 2016.

**NOTE 7 RESERVE FOR ANNUITIES**

Several donors have entered into split-interest agreements with the University. These agreements are in the form of charitable gift annuities, charitable remainder annuity trusts, charitable remainder unitrusts, and life income funds. The assets held in the trusts, which approximate \$6,895 and \$7,574 at May 31, 2016 and 2015, respectively, are reported at fair value as investments in the statements of financial position. The annuities payable to beneficiaries resulting from these agreements are reported as a liability at the present value of the estimated future payments to be distributed over the beneficiaries' lives. The University calculates the present value of these payments through the use of discount rates (risk-free interest rates, which are 120% of the mid-term Applicable Federal Rate) and mortality tables (IRS Publication 590 expectancy tables). The University utilized discount rates based upon the applicable year in which the split-interest agreements were initiated within these calculations. The University used discount rates based upon industry standards as established by the American Council on Gift Annuities, ranging from 1.2% to 10.2% for the years ended May 31, 2016 and 2015.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 8 BONDS PAYABLE, NET**

The University's bonds payable consist of the following at May 31:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Bonds payable:		
Series 2007A Revenue Bonds, 4% to 5.%, due August 1, 2034 (A)	\$ 46,115	\$ 47,245
Series 2008A, Variable Rate Demand Revenue Refunding Bonds, due April 1, 2033 (B)	38,385	38,385
Series 2008B, Variable Rate Demand Revenue Refunding Bonds, due April 1, 2038 (B)	<u>25,390</u>	<u>25,390</u>
Subtotal	109,890	111,020
Less: Bonds Discounts	(111)	(117)
Plus Bond Premium	<u>1,531</u>	<u>1,664</u>
Total	<u>\$ 111,310</u>	<u>\$ 112,567</u>

(A) Pursuant to a Trust Indenture dated April 1, 2007 between the University and the Illinois Finance Authority (the Authority), the University issued a Promissory Note, Series 2007 in the principal amount of \$81,100, issued under and secured by the Loan Agreement to (1) finance a portion of the costs of the acquisition, construction, renovation, improving, and equipping of certain facilities, (2) refund certain bonds heretofore issued by the Authority for the benefit of the Borrower, and (3) pay certain of the costs relating to the issuance of the Series 2007 Bonds. The Authority issued bonds in two series known as the "Illinois Finance Authority Revenue Bonds (Bradley University Projects) Series 2007A" (the Series 2007A Bonds) and the "Illinois Finance Authority Variable Rate Demand Revenue Bonds (Bradley University Projects) Series 2007B" (the "Series 2007B Bonds" and with the Series 2007A Bonds, the "Bonds"). A premium of \$2,903 was received upon issuance of the Series 2007 Bonds. The agreement requires annual principal payments ranging in amounts from \$650 to \$6,090 through 2034 for the Series 2007A Bonds. The Series 2007B Bonds which were outstanding in the aggregate principal amount of \$25,000 were redeemed on March 25, 2008 with proceeds from the Illinois Finance Authority Variable Rate Demand Revenue Refunding Bonds Series 2008B.



**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 8 BONDS PAYABLE, NET (CONTINUED)**

- (B) Pursuant to Trust Indentures dated March 1, 2008 between the University and the Illinois Finance Authority (the Authority), the University issued Promissory Notes, which collectively comprised the Series 2008 Bonds. The Authority issued two series known as the "Illinois Finance Authority Variable Rate Demand Revenue Refunding Bonds (Bradley University) Series 2008A" (the Series 2008A Bonds) in the principal amount of \$38,385 maturing on April 1, 2033 and the "Illinois Finance Authority Variable Rate Demand Revenue Refunding Bonds (Bradley University) Series 2008B" (the Series 2008B Bonds) in the principal amount of \$25,390 maturing April 1, 2038.

The Series 2008A Bonds proceeds were used by the University to refund all Illinois Development Finance Authority Variable Rate Demand Revenue Bonds (Bradley University Projects) Series 2002 with an outstanding principal amount of \$37,800 and paid certain expenses incurred in connection with the issuance of the Series 2008A Bonds and the refunding of the Refunded Bonds.

The Series 2008B Bonds proceeds were used by the University to refund all Illinois Finance Authority Variable Rate Demand Revenue Bonds (Bradley University Projects) Series 2007B with an outstanding principal amount of \$25,000 and paid certain expenses incurred in connection with the issuance of the Series 2008B Bonds and the refunding of the Refunded Bonds.

The Series 2008A Bonds are secured with an irrevocable letter of credit in an amount sufficient to pay the principal or purchase price of the Series 2008A Bonds plus an amount up to 34 days of interest on the Series 2008A Bonds computed at an assumed maximum rate of 10% per annum and expiring on April 5, 2019 unless extended or terminated.

The Series 2008B Bonds are secured with an irrevocable letter of credit in an amount sufficient to pay the principal or purchase price of the Series 2008B Bonds plus an amount up to 34 days of interest on the Series 2008B Bonds computed at an assumed maximum rate of 10% per annum and expiring on April 5, 2019, unless extended or terminated.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
(IN THOUSANDS OF DOLLARS)

**NOTE 8 BONDS PAYABLE, NET (CONTINUED)**

Scheduled principal payments on bonds payable are:

<u>Year</u>	<u>Amount</u>
2017	\$ 1,180
2018	1,245
2019	1,305
2020	1,375
2021	1,440
2022 and After	<u>103,345</u>
Total	<u>\$ 109,890</u>

Certain bonds payable and letter of credit agreements contain financial covenants pertaining to unrestricted revenues, annual debt service coverage, and unrestricted cash and investments. The University was in compliance with these financial covenants at May 31, 2016.

**NOTE 9 CAPITAL LEASE OBLIGATION**

The University is leasing a building under a capitalized lease that expires in December 2027. The cost of this building is \$3,576. Accumulated depreciation recorded in the statement of financial position relating to this lease was \$1,115 at May 31, 2016.

Future minimum lease payments under the capital lease as of May 31, 2016 are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2017	\$ 122
2018	119
2019	118
2020	116
2021	114
2022 and After	<u>719</u>
Total Minimum Lease Payments	1,308
Less: Amount Representing Interest	<u>132</u>
Present Value of Minimum Lease Payments	<u>\$ 1,176</u>

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 10 OPERATING LEASES**

The University conducts activities from facilities that are leased under ten-year noncancelable operating leases expiring in 2020. The leases contain renewal options for two additional five-year periods. Future minimum rental payments due under the leases are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 206
2018	206
2019	206
2020	<u>131</u>
Total	<u>\$ 749</u>

During the years ended May 31, 2016 and 2015, rental expense was \$206.

**NOTE 11 INTEREST RATE SWAP AGREEMENT**

The University entered into an interest rate swap agreement with Morgan Stanley Capital Services, Inc. (MSCS) in conjunction with the Series 2002 bond issuance, which was transferred to the Series 2008A Bonds upon the refunding of the Series 2002 Bonds. The swap agreement exchanges the variable rate interest for a fixed rate of 3.48% until maturity on August 1, 2032. A floating rate is determined monthly to calculate settlement payments between the University and MSCS. MSCS determines the floating rate monthly based on 67% of the 30-day LIBOR Index. The fair value of the swap is recorded as an asset or a liability based on its valuation as of May 31. The fair value of the swap at May 31, 2016 and 2015 was a liability of \$5,940 and \$5,722, respectively.

**NOTE 12 NET ASSETS**

Permanently restricted net assets consist of the following as of May 31:

	<u>2016</u>	<u>2015</u>
Investment in Perpetuity, Income Available to Support:		
Scholarships	\$ 47,362	\$ 47,800
Annuity	2,076	2,038
Research, Academic Support, Student Services, and Institutional Support	19,483	18,277
Property and Equipment Acquisition and Maintenance	<u>150</u>	<u>150</u>
Total	<u>\$ 69,071</u>	<u>\$ 68,265</u>

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 12 NET ASSETS (CONTINUED)**

Temporarily restricted net assets are available for the following purposes as of May 31:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 2,966	\$ 2,777
Annuity, Life Income, and Similar Funds	2,854	2,958
Research, Academic Support, Student Services, and Institutional Support	42,821	52,117
Property and Equipment Acquisition and Maintenance	<u>9,304</u>	<u>3,227</u>
Total	<u>\$ 57,945</u>	<u>\$ 61,079</u>

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors for the years ended May 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 245	\$ 244
Instruction, Research, Academic, and Institutional Support	<u>2,975</u>	<u>3,116</u>
Total	<u>\$ 3,220</u>	<u>\$ 3,360</u>

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

The University is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that eventual liability, if any, will not have a material effect on the University's financial position.

All funds expended in conjunction with government grants and contracts are subject to audit by government agencies. In the opinion of management, any liability resulting from these audits will not have a material effect on the University's financial position.

The University has entered into various contracts related to design services for academic buildings for approximately \$5,818. As of May 31, 2016, the remaining balances on these contracts totaled approximately \$4,078.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 14 RETIREMENT PLAN**

Retirement benefits are available to all full-time employees of the University through Teachers Insurance and Annuity Association (TIAA), a national organization which funds pension benefits for educational institutions. Under this fully vested plan, the University and plan participants make monthly contributions to TIAA to purchase individual annuities equivalent to accrued retirement benefits. The University's cost of these benefits was \$2,267 and \$2,369 in 2016 and 2015, respectively.

**NOTE 15 POSTRETIREMENT BENEFITS**

Through the University's self-insured health plan, certain benefits (other than pension benefits) are offered and provided to eligible employees and dependents after retirement. The University uses a May 31 measurement date for this plan.

In May 2016, the Board of Directors approved an amendment to the plan, whereby the cost sharing provisions for retirees were increased from 33.3% to 50.0% with a five-year phase-in period, and all new hires on or after October 1, 2017 will be ineligible for the plan. The plan provision changes resulting from the approved plan amendment were reflected in the May 31, 2016 valuation, as the amendment was adopted in May 2016 and communicated to plan participants within a reasonable period of time thereafter. The effect of the plan amendment resulted in a decrease in the accumulated benefit obligation of \$14,375, recognized as a prior service credit, at May 31, 2016.

Based on the effects of the plan amendment, including amortization of the prior service credit, net periodic benefit cost for the year ended May 31, 2017 is estimated to reduce to approximately \$3,110.

The obligation, funded status, and amounts recognized in the financial statements for the postretirement plans at May 31, 2016 and 2015 are as follows:

	<u>Fiscal Year Ended</u>	
	<u>May 31, 2016</u>	<u>May 31, 2015</u>
Change in Accumulated Postretirement Benefit Obligation:		
Accumulated Postretirement Benefit Obligation at the Beginning of the Year	\$ 50,158	\$ 36,325
Service Cost	4,133	3,079
Interest Cost	2,183	1,570
Plan Amendments	(14,375)	-
Actuarial (Gain) or Loss	(1,064)	10,348
Benefits Paid	(1,575)	(1,255)
Medicare Part D Reimbursement	<u>87</u>	<u>91</u>
Accumulated Postretirement Benefit Obligation at the End of the Year	<u>\$ 39,547</u>	<u>\$ 50,158</u>

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
(IN THOUSANDS OF DOLLARS)

**NOTE 15 POSTRETIREMENT BENEFITS (CONTINUED)**

	Fiscal Year Ended	
	May 31, 2016	May 31, 2015
Change in Plan Assets:		
Fair Value of Plan Assets at the Beginning of the Year	\$ -	\$ -
Benefits Paid	(1,574)	(1,255)
Employer Contributions	1,574	1,255
Fair Value of Assets at the End of the Year	\$ -	\$ -
Unfunded Status	\$ 39,547	\$ 50,158
Postretirement Benefits Other Than Pensions Included in Liabilities	\$ 39,547	\$ 50,158
Assumptions Used to Determine Benefit Obligation:		
Discount Rate	4.15%	4.42%
Rate of Compensation Increase	N/A	N/A
Retiree Participation Rate	70%	70%
Assumed Healthcare Cost Trend Rates for Benefit Obligation:		
Healthcare Cost Trend Rate Assumed for Next Year:		
Pre-65 Trend Rate	8.20%	8.00%
Post-65 Trend Rate	8.68%	7.75%
Ultimate Rate	5.00%	5.50%
Year That the Ultimate Rate is Reached:		
Pre-65 Trend Rate	2025	2024
Post-65 Trend Rate	2025	2023
Components of Net Periodic Benefit Cost:		
Service Cost	\$ 4,133	\$ 3,079
Interest Cost	2,183	1,570
Amortization of Prior Service Cost	-	8
Amortization of Loss	1,660	271
Net Periodic Benefit Cost	\$ 7,976	\$ 4,928

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
(IN THOUSANDS OF DOLLARS)

**NOTE 15 POSTRETIREMENT BENEFITS (CONTINUED)**

	<u>Fiscal Year Ended</u>	
	<u>May 31, 2016</u>	<u>May 31, 2015</u>
Assumptions Used to Determine Net Periodic Benefit Cost:		
Discount Rate	4.42%	4.40%
Rate of Compensation Increase	N/A	N/A
Assumed Healthcare Cost Trend Rates for Net Periodic Benefit Cost:		
Healthcare Cost Trend Rate Assumed for Next Year:		
Pre-65 Trend Rate	8.00%	8.50%
Post-65 Trend Rate	7.75%	6.50%
Ultimate Rate	5.50%	5.00%
Year That the Ultimate Rate is Reached:		
Pre-65 Trend Rate	2024	2024
Post-65 Trend Rate	2023	2025

Expected contributions for fiscal year 2017 are \$1,622.

Estimated future benefit payments for postretirement benefits other than pensions are as follows:

	<u>Gross Payments</u>
Fiscal 2017	\$ 1,622
Fiscal 2018	1,748
Fiscal 2019	1,869
Fiscal 2020	1,989
Fiscal 2021	2,040
Fiscal 2022-2026	12,435

For measurement purposes, the following percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2016:

<u>Year</u>	<u>Under 65</u>	<u>65 and Up</u>
2017	8.20%	8.68%
2018	8.15	8.20
2019	7.78	7.82
2020	7.40	7.43
2021	7.02	7.04
2022	6.62	6.64

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
(IN THOUSANDS OF DOLLARS)

**NOTE 15 POSTRETIREMENT BENEFITS (CONTINUED)**

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care benefits. A one-percentage point change in assumed health care cost trend rates would have the following effect:

	<u>1 Percentage Point Increase</u>	<u>1 Percentage Point Decrease</u>
Effect on Total of Service and Interest Cost Components for Fiscal Year Ended May 31, 2016	<u>\$ 823</u>	<u>\$ (655)</u>
Effect on Postretirement Benefits Obligation as of May 31, 2016	<u>\$ 5,460</u>	<u>\$ (4,508)</u>

**Reconciliation of Items Not Yet Reflected in Net Periodic Benefit Cost**

	<u>June 01, 2015</u>	<u>Reclassified as Net Periodic Benefit Cost</u>	<u>Amounts Arising During Period</u>	<u>May 31, 2016</u>
Prior Service Cost (Credit)	\$ -	\$ -	\$ (14,375)	\$ (14,375)
Net Loss (Gain)	15,355	1,660	(1,064)	12,631

The amounts in unrestricted net assets expected to be recognized as components of net periodic benefit cost in the next fiscal year are as follows:

Prior Service Cost (Credit)	\$ (2,623)
Net Loss	<u>1,446</u>
Total	<u>\$ (1,177)</u>

**NOTE 16 ALLOCATION OF EXPENSES**

The University excludes operation and maintenance of plant, interest on indebtedness, depreciation, and general institutional expenditures from functional expense categories in the statements of activities for the fiscal years ended May 31, 2016 and 2015. Those expenses would be distributed to the individual functional areas of the University as follows:

	2016				
	<u>Operations and Maintenance</u>	<u>Interest on Indebtedness</u>	<u>Depreciation</u>	<u>General Institutional</u>	<u>Total</u>
Instructional	\$ 5,526	\$ 1,890	\$ 7,218	\$ 16,170	\$ 30,804
Student Services	959	328	1,253	2,808	5,348
General Administrative	634	217	828	1,855	3,534
Library	264	90	345	774	1,473
Public Service	372	127	486	1,089	2,074
Auxiliary	<u>2,305</u>	<u>789</u>	<u>3,010</u>	<u>6,743</u>	<u>12,847</u>
Total	<u>\$ 10,060</u>	<u>\$ 3,441</u>	<u>\$ 13,140</u>	<u>\$ 29,439</u>	<u>\$ 56,080</u>



**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2016 AND 2015**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 16 ALLOCATION OF EXPENSES (CONTINUED)**

	2015				
	Operations and Maintenance	Interest on Indebtedness	Depreciation	General Institutional	Total
Instructional	\$ 5,118	\$ 1,864	\$ 7,328	\$ 14,419	\$ 28,729
Student Services	847	309	1,213	2,388	4,757
General Administrative	624	227	895	1,759	3,505
Library	269	97	385	757	1,508
Public Service	397	145	568	1,118	2,228
Auxiliary	2,343	853	3,355	6,602	13,153
Total	\$ 9,598	\$ 3,495	\$ 13,744	\$ 27,043	\$ 53,880

**NOTE 17 CONCENTRATION OF CREDIT**

The University primarily maintains its cash in various accounts. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Total cash held by these banks was \$9,484 at May 31, 2016.

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

Board of Trustees  
Bradley University  
Peoria, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bradley University, which comprise the statement of financial position as of May 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bradley 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 Bradley University's internal control. Accordingly, we do not express an opinion on the effectiveness of Bradley 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 Bradley University’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



**CliftonLarsonAllen LLP**

Peoria, Illinois  
September 27, 2016

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

Board of Trustees  
Bradley University  
Peoria, Illinois

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

We have audited Bradley University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bradley University's major federal programs for the year ended May 31, 2016. Bradley University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Bradley 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 Bradley 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 Bradley University's compliance.

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

In our opinion, Bradley 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, 2016.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

Bradley University's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Bradley University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of Bradley 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 Bradley 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 Bradley 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

Bradley University's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Bradley University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.



**CliftonLarsonAllen LLP**

Peoria, Illinois  
September 27, 2016

**BRADLEY UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MAY 31, 2016**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>STUDENT FINANCIAL AID - CLUSTER (Major)</b>				
<b>U.S. Department of Education</b>				
Direct:				
Pell Grant	84.063		\$ -	\$ 4,182,312
Federal Supplemental Educational Opportunity Grant	84.007		-	581,018
Federal Work Study	84.033		-	315,795
Perkins Loan Program	84.038		-	6,435,940
Direct Student Loan Program	84.268		-	36,809,166
			<u>-</u>	<u>48,324,231</u>
<b>U.S. Department of Health and Human Services</b>				
Direct:				
Nursing Student Loan Program	93.364		-	323,006
			<u>-</u>	<u>323,006</u>
Total Student Financial Aid (Major)			<u>-</u>	<u>48,647,237</u>
<b>RESEARCH AND DEVELOPMENT - CLUSTER</b>				
<b>National Science Foundation</b>				
Direct:				
Collaborative Research: Integrating Computation into Undergraduate Physics - A Faculty Development Approach to Community Transformation DUE-1525525 27-87 263	47.076		-	6,138
Passed through J. Craig Venter Institute:				
Genomics of Tetrahymena 27-87 260	47.074	JCVI-12-007	-	16,286
			<u>-</u>	<u>22,424</u>
<b>NASA</b>				
Passed through University of Illinois, Illinois Space Grant Consortium:				
Polycaprolactone-Based Nanofiber Mats 27-86 506	43.000	2010-04000-07	-	1,147
Compressed Sensing for Ultrasonic Nondestructive Evaluation Applications 27-86 508	43.000	2010-04000-07	-	610
Testing and Development of Advanced Microscale Devices 27-86 509	43.000	2010-04000-07	-	13,716
Illinois Space Grant Consortium (ISGC) Scholarship/Award Management 27-86 510	43.008	2015-05200-02	-	5,085
Atomic Force Microscopy Studies on Cells and Nanofiber Scaffolds for Application in Tissue Engineering 27-86 511	43.008	2015-05200-02	-	400
Surface Electromyography (sEMG) Signal Processing 27-86 512	43.008	2015-05200-02	-	440
Enhancement of Space-Related Demonstrations in Science Outreach Shows 27-86 513	43.008	2015-05200-02	-	1,500
			<u>-</u>	<u>22,898</u>

**BRADLEY UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED MAY 31, 2016**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>RESEARCH AND DEVELOPMENT - CLUSTER</b>				
(CONTINUED)				
<b>U.S. Department of Transportation</b>				
<b>Federal Highway Administration</b>				
Passed through Illinois Department of Transportation, University of Illinois, Illinois Center for Transportation:				
Evaluation of Flashing Yellow Arrows Protected/Permissive Left Turn Control 27-86 208	20.205	2011-05776-09	\$ -	\$ 32,792
Effects of Intersection Right - Turn Island Design & Skew Angle on Safety & Operations 27-86 210	20.205	2011-05776-11	-	52,787
Performance Evaluation of Snow & Ice Plows 27-86 212	20.205	2011-05776-12	-	16,733
Thermodynamics Between RAP/RAS and Virgin Aggregates During Hot Mix Asphalt (HMA) Production 27-86 215	20.205	2011-05776-41	-	5,146
Methodology for Evaluation of Seal Coat, Gravel and Dirt Roads 27-86 217	20.205	2011-05776-52	-	9,419
Passed through Iowa Department of Transportation, Iowa State University of Science and Technology:				
Investigation of the High Strength Bolt Tightening Verification Techniques 27-86 252	20.205	474-17-50	-	682
			<u>-</u>	<u>117,559</u>
<b>U.S. Department of Defense, U.S. Army</b>				
Direct:				
Characterizing Microstructures at Ionic Liquid/Electrode Interfaces W911NF-13-1-0448 27-88 205	12.431		-	94,645
Quantum Cascade Laser for Characterizing Microstructures at Ionic Liquid/Electrode Interfaces W911NF-15-1-0324 27-88 209	12.431		-	130,318
			<u>-</u>	<u>224,963</u>
<b>U.S. Department of Defense, U.S. Air Force</b>				
Direct:				
Distributed Detection and Control of Unexpected/Emergent Behaviors in Multiagent Systems FA8750-15-1-0143 27-88 208	12.300		79,978	240,125
Powder X-ray Diffraction Microscopy Instrumentation for the Characterization of Biopolymer Composites FA9550-16-1-0089 27-88 210	12.800		-	299,877
			<u>79,978</u>	<u>540,002</u>
<b>U.S. Department of Agriculture, Forest Service</b>				
Direct				
Risk Perception, Sensemaking and Resilient Performance: The Sounds of Wildland Firefighting in Action 14-JV-11221611-115 27-86 403	15.232		-	14,189
<b>U.S. Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
National Center for Research Services				
Passed through Cornell University:				
Resource Center for Tetrahymena Thermiphila 27-89 331	93.351	2P40OD010964-10 70706-10337	-	27,206
Total Research and Development			<u>79,978</u>	<u>969,241</u>



**BRADLEY UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MAY 31, 2016**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>OTHER PROGRAMS</b>				
<b>U.S. Department of Commerce, National Institute of Standards &amp; Technology</b>				
Passed through Illinois Manufacturing Excellence Center: Central Regional Center	11.611	27-87-529, 530	\$ -	\$ 161,377
<b>U.S. Department of Commerce, Small Business Administration</b>				
Passed through Illinois Department of Commerce and Economic Opportunity: Small Business Development Center/International Trade Center 27-84 560	59.037	16-561120	-	194,962
<b>U.S. Department of Transportation Federal Highway Administration</b>				
Direct: Second Strategic Highway Research Program (SHRP2) Education Connection DTFH6115H00014 27-86 216	20.215		-	7,576
<b>U.S. Department of Health and Human Services</b>				
Passed through Central Illinois Agency on Aging, Inc.:				
CIAA: Caregiver Counseling, Support Groups, Training and Education 27-89 325	93.052	760555-16	-	16,129
CIAA: Caregiver Counseling, Support Groups, Training and Education 27-89 324	93.052	760555-15	-	10,345
			-	26,474
<b>U.S. Department of Education</b>				
Passed through Illinois State Board of Education: Early Childhood Educator Preparation 27-85 121	84.412A	(NONE)	7,407	47,505
<b>National Endowment for the Humanities</b>				
Passed through Illinois Humanities Council: Midwest Women Artists, 1940-1960: Discovering their work, Telling their stories, Learning from the past 27-86 361	45.129	5253	-	3,935
<b>U.S. Department of Energy</b>				
Direct: Industrial Assessment Center Program DE-EE000540 27-89 407	81.117		-	173,387
<b>U.S. Department of Defense</b>				
Passed through Illinois Department of Commerce and Economic Opportunity:				
Procurement Technical Assistance Center 27-84 170	12.002	16-601121	-	42,826
Procurement Technical Assistance Center 27-84 169	12.002	15-601121	-	13,823
			-	56,649
Total other programs			7,407	671,865
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 87,385</b>	<b>\$ 50,288,343</b>

See notes to Schedule of Expenditures of Federal Awards.

**BRADLEY UNIVERSITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MAY 31, 2016**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of Bradley University (the University) under programs of the federal government for the fiscal year ended May 31, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, or the changes in net assets and cash flows of the University.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures for federal student financial aid programs are recognized as incurred and include Pell program grants to students, the federal share of the student's Federal Supplemental Educational Opportunity Grant (FSEOG) program, and Federal Work Study (FWS) program.

Expenditures for federal programs are recognized as incurred using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general University activities (indirect costs) which are allocated to federal awards under negotiated formulas commonly referred to as indirect cost rates. Indirect costs allocated to such awards for the year ended May 31, 2016 were based on predetermined fixed rates as stipulated in the respective grant agreements or as negotiated with the Department of Health and Human Services.

**BRADLEY UNIVERSITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MAY 31, 2016**

**NOTE 3 FEDERAL STUDENT LOAN PROGRAMS**

The federal student loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at May 31, 2016 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Federal Perkins Loan Program	84.038	\$ 5,481,841
Nursing Student Loans	93.364	\$ 276,760

**NOTE 4 ADDITIONAL INFORMATION**

As of and during the year ended May 31, 2016, the University did not receive any noncash federal assistance or federal insurance.

**BRADLEY UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED MAY 31, 2016**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiencies identified?        Yes   x   None reported

Noncompliance material to financial statements noted?        Yes   x   No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiencies identified?   x   Yes        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 Section 2 CFR 200.516(a)?   x   Yes        No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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Various	Student Financial Aid Cluster
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Dollar threshold used to distinguish between Type A and Type B programs:       \$750,000      

Auditee qualified as low-risk auditee?   x   Yes        No

**Section II – Financial Statement Findings**

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

**BRADLEY UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED MAY 31, 2016**

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

**Finding 2016-001**

**Department of Education**

**Student Financial Aid - 84.SFA**

**Award Period 2015-2016**

**Type of Finding:**

- Significant Deficiency in Internal Control over Compliance
- Other Matters

*Criteria:*

Federal regulation requires that when a recipient of Title IV grant funds or loan assistance funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date.

*Condition:*

During our testing, we noted that one of six students did not have a Return of Title IV Funds calculation performed correctly. We noted that the days of break surrounding the Thanksgiving holiday was calculated incorrectly based upon the academic calendar.

*Questioned Costs:*

\$131

*Context:*

One of the six students tested did not have their Return of Title IV Funds calculation completed with the correct input data resulting in aid being returned that was actually earned by the student.

*Cause:*

Data input into the Return of Title IV calculation for Thanksgiving break was incorrectly figured as the University utilized 4 days of break when per the academic calendar the institutionally scheduled break was 5 days.

*Effect:*

One student had \$131 of earned aid calculated as being unearned and the University returned the funds to the Department of Education.

*Repeat Finding:*

No

**BRADLEY UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED MAY 31, 2016**

**Section III – Federal Award Findings and Questioned Costs (Continued)**

**Finding 2016-001 (Continued)**

**Department of Education (Continued)**

**Student Financial Aid - 84.SFA (Continued)**

*Recommendation:*

The University should put procedures into place to ensure that Return of Title IV calculations have the correct input data based upon institutionally scheduled breaks and federal regulations.

*View of Responsible Officials:*

There is no disagreement with the audit finding.

**Finding 2016-002**

**Department of Education**

**Student Financial Aid - 84.SFA**

**Award Period 2015-2016**

**Type of Finding:**

- Significant Deficiency in Internal Control over Compliance
- Other Matters

*Criteria:*

Federal regulation requires enrollment status for each student be reported accurately to NSLDS. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that don't pass the NSLDS enrollment reporting edits.

*Condition:*

During our testing, we noted that the National Student Loan Data Systems (NSLDS) rosters were reported and resubmitted as deemed necessary for error corrections. However, the resubmitted rosters yielded errors that were not corrected within the required 10 days. The University utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to NSLDS. NSC had software conversion issues that failed in monitoring and correcting submission errors. However, it is possible for the University to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

*Questioned Costs:*

No questioned costs in the current year.

**BRADLEY UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED MAY 31, 2016**

**Section III – Federal Award Findings and Questioned Costs (Continued)**

**Finding 2015-002 (Continued)**

**Department of Education (Continued)**

**Student Financial Aid - 84.SFA (Continued)**

*Context:*

NSLDS roster errors have not been identified and corrected within the requirement time frame.

*Cause:*

Management was not aware of the NSC software conversion issues nor utilized the Enrollment Reporting Summary Report to determine if student status changes were being updated accurately.

*Effect:*

Due to the software issues at NSC, the University did not provide updates to student enrollment statuses accurately to NSLDS.

*Repeat Finding:*

Yes. Prior year finding 2015-002

*Recommendation:*

We recommend that the University put a process in place to ensure enrollment statuses are accurately reported to NSLDS. The system should include direct correspondence by the University to obtain error reports directly from the NSC third party and the University gaining an understanding if and when the NSC third party servicer has corrected the failed software programming.

*View of Responsible Officials:*

There is no disagreement with the audit finding.

**BRADLEY UNIVERSITY  
CORRECTIVE ACTION PLAN  
YEAR ENDED MAY 31, 2016**

Department of Education

Bradley University respectively submits the following corrective action plan for the year ended May 31, 2016.

Audit Period: June 1, 2015 - May 31, 2016

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

There were no findings in the current year that require a corrective action plan.

**FINDINGS - FEDERAL AWARD PROGRAMS AUDITS**

DEPARTMENT OF EDUCATION

2016-001      Student Financial Aid - CFDA No. 84.SFA

Recommendation: The University should put procedures into place to ensure that Return of Title IV calculations have the correct input data based upon institutionally scheduled breaks and federal regulations.

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

Action taken in response to finding: The University has already corrected this finding effective for the 2016-2017 academic year. The University has established procedures to ensure that future Return of Title IV calculations are based on the correct count of enrollment days appropriately accounting for scheduled breaks. The questioned cost of \$131 will be returned to the student.

Name of the contact person responsible for corrective action: Deb Jackson, Financial Aid Director

Planned completion date for corrective action plan: Award year 2016-2017



**BRADLEY UNIVERSITY  
CORRECTIVE ACTION PLAN (CONTINUED)  
YEAR ENDED MAY 31, 2016**

**FINDINGS - FEDERAL AWARD PROGRAMS AUDITS (CONTINUED)**

2016-002      Student Financial Aid - CFDA No. 84.SFA

Recommendation: We recommend that the University put a process in place to ensure enrollment statuses are accurately reported to NSLDS. The system should include direct correspondence by the University to obtain error reports directly from the NSC third party and the University gaining an understanding if and when the NSC third party servicer has corrected the failed software programming.

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

Action taken in response to finding: For the past year the Office of Financial Assistance has been accessing and reviewing the SCHER1 Report to identify submission errors. Because the report was only accessed monthly in some instances, errors were not corrected within the 10 day time frame.

Management has been in regular contact with representatives of both the NSC and NSLDS. With their assistance, a procedure has been established for the Registrar to access on a timely basis the SSCR error reports. Upon receipt, the Registrar and Director of Financial Assistance now collaborate and take corrective actions by accessing the NSLDS and manually fixing the problems within their scope or contacting the NSC Audit Team to resolve system-generated errors for which the NSC is responsible. The Financial Aid Director will regularly confirm, and report to senior University administration, that errors continue to be resolved within the statutory 10 day time frame.

Name(s) of the contact person(s) responsible for corrective action: Deb Jackson, Financial Aid Director, and Andy Kindler, University Registrar

Planned completion date for corrective action plan: Award year 2016-2017

If the Department of Education has questions regarding this plan, please call Deb Jackson at 309-677-3085.

**BRADLEY UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED MAY 31, 2016**

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

**Finding 2015-001**

During the year's testing of credit balances resulting from federal aid, no instances of noncompliance were noted.

**Finding No. 2015-002**

See current year finding 2016-002.

**Reason for finding's recurrence:**

Software conversion issues at the NSC have not been corrected and management's monitoring process was not put into place until after the start of the year.