

LIFE UNIVERSITY, INC.

**CERTIFICATE OF COMPLIANCE REQUIRED BY
SECTION 8.11(B) OF THE LOAN AGREEMENT**

Pursuant to Section 8.11(b) of the Loan Agreement dated as of August 1, 2008 between Life University, Inc. (the "University") and Wells Fargo Bank, National Association, as dissemination agent, I, William D. Jarr, hereby certify that I am the duly appointed as the Executive Vice President for Finance of the University, and further certify on behalf of the University, that I am familiar with the terms of the Loan Agreement dated as of August 1, 2008 as amended June 1, 2010 and December 1, 2012 (the "Loan Agreement") between the University and the Development Authority of the City of Marietta and to the best of my knowledge after due investigation, that during the period ended or as of March 31, 2017 there did not exist any Event of Default nor did the University have knowledge of any such Event of Default.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as Executive Vice President for Finance of the University this 25th day of April 2017.

LIFE UNIVERSITY, INC.

By: 

William D. Jarr

Executive Vice President for Finance

LIFE UNIVERSITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED
March 31, 2017

Revenues:

For the nine months ended March 31, 2017 tuition and fees including scholarships were approximately \$3.3 million less than budget, primarily attributable to the doctorate enrollment being below the budgeted amount for summer 2016 and fall 2016 quarters. Tuition and fees including scholarships totaled \$43.2 million which is approximately the same as the preceding year. Total revenues were less than budget by \$2.1 million and \$336,050 over the previous year's nine months.

Expenses:

Operating expenses before depreciation and interest expense were \$41.4 million and produced a budget surplus of approximately \$2.6 million at March 31, 2017 which was largely a result of managing expenses and personnel replacements.

Decrease from Operations:

The overall impact of revenue and expense control resulted in a favorable budget variance of \$507,368 and a \$828,229 decrease in net assets after debt service interest and depreciation.

Cash and Investments:

Cash and investments (including Title IV funds availability) decreased by approximately \$2.2 million over the preceding year at this point in time primarily due to The substantial renovation of the Administration Building into the Harris Assessment Center.

Summary of Ratio Analysis at March 31, 2017

- | | |
|------------------------------------|---------------------------|
| • Days Cash on Hand | 142.50 vs. 80.00 required |
| • Debt Service Coverage | 1.37 vs. 1.20 required |
| • Long-Term Indebtedness | .36 vs .15 required |
| • Trade Payables Less than 60 Days | 99.00% vs. 90.0% required |

LIFE UNIVERSITY, INC.
STATEMENTS OF ACTIVITIES
For the Period Ended March 31, 2017

	PY-T-D	Y-T-D	Unrestricted	Temporarily Restricted	Permanently Restricted	Y-T-D BUDGET	VARIANCE + (-)	
Revenues, Gains and Other Support								
Student tuition and fees:								
College of Chiropractic	38,789,040	38,515,021	38,515,021			41,752,997	(3,237,976)	
Non-chiropractic graduate	1,225,823	1,385,417	1,385,417			1,210,502	174,915	
Undergraduate	5,589,413	5,756,377	5,756,377			5,860,768	(104,391)	
Institutional scholarships and tuition discounts	(2,143,720)	(2,459,795)	(2,459,795)			(2,361,578)	(98,217)	
Private contributions	869,980	596,754	234,208	359,075	3,471	637,500	(40,747)	
Interest and dividend income	141,519	342,237	248,742	22,895	70,600	112,500	229,737	
Net realized and unrealized gains (losses)		-						
from investments	27,458	223,859	242,035	-	(18,177)	-	223,859	
Clinic receipts	337,934	605,696	605,696			611,331	(5,635)	
Sales and services of auxiliary enterprises	2,713,798	2,921,730	2,921,730			2,131,146	790,584	
Net Assets Release from Restrictions	-	-	216,880	(216,880)	-			
Total revenues, gains and other support	47,551,245	47,887,295	47,666,311	165,090	55,894	49,955,166	(2,067,871)	100%
Operating Expenses								
Educational and general:								
Instructional and Research	15,316,176	14,353,012	14,353,012			17,145,757	2,792,745	
Public Service	410,627	477,691	477,691			622,159	144,468	
Academic support	2,232,326	2,356,294	2,356,294			2,897,471	541,177	
Student services	6,122,324	6,184,887	6,184,887			7,028,109	843,222	
Institutional support	9,750,437	10,618,161	10,618,161			10,135,527	(482,634)	
Operations and maintenance of plant	3,164,384	3,391,235	3,391,235			3,559,597	168,362	
Scholarships	61,234	277,869	277,869			131,862	(146,007)	
Auxiliary enterprises expenses	2,753,430	3,727,047	3,727,048			2,441,592	(1,285,455)	
Total operating expenses	39,810,938	41,386,197	41,386,198	-	-	43,962,074	2,575,877	93%
Increase (Decrease) from Operations	7,740,307	6,501,098	6,280,113	165,090	55,894	5,993,092	508,006	176%
Other Changes								
(Gain)/Loss on sale of assets	(7,040)	(4,960)	(4,960)				4,960	
Debt Service Interest	3,544,899	3,499,255	3,499,255			3,493,658	(5,597)	
Total other changes	3,537,859	3,494,295	3,494,295	-	-	3,493,658	(637)	
Change in Net Assets	4,202,448	3,006,802	2,785,818	165,090	55,894	2,499,434	507,368	
Depreciation and Amortization expense	4,090,823	3,835,031	3,835,031			3,975,000		
Net Change in Net Assets	111,625	(828,229)	(1,049,214)	165,090	55,894	(1,475,566)		
Changes in cash flow after debt service								
Capital Expenditures - Prior Year								
Capital Expenditures - Current Year	(451,807)	(1,052,750)	(1,052,750)			(1,717,500)		
Depreciation and Amortization expense	4,090,823	3,835,031	3,835,031					
Debt Service Principal	-	-						
Changes in cash flow after debt service	3,750,641	1,954,052	1,733,068	165,090	55,894	(3,193,066)		

NOTE: March Village Activity not included

LIFE UNIVERSITY, INC.
STATEMENTS OF FINANCIAL POSITION
For the Period Ended March 31, 2017

	Y-T-D	PY-T-D
Assets		
Cash and cash equivalents	\$ 9,127,282	\$ 15,578,735
Investments	11,474,885	7,562,849
Title IV Funds Available	5,062,341	4,721,232
Student accounts receivable	126,781	2,941,871
Pledges receivable	1,543,101	1,867,690
Other receivables	517,247	1,374,073
Other assets	1,223,500	1,119,540
Notes Receivable	1,967,336	2,456,521
Deposits with trustee	1,960,288	1,896,352
Deposit with Trustee - Debt Service Reserve	6,311,102	6,304,286
Deposit with Trustee - Repairs	390,319	327,149
Intangible assets	1,012,056	1,091,791
CIP	7,386,335	1,229,879
Property and equipment, net	70,179,595	73,523,965
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Total Assets	\$ 118,282,169	\$ 121,995,933
	<hr/>	<hr/>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 10,549,634	\$ 12,842,135
Student predeposits and refunds	362,993	403,793
Deferred revenue	92,051	-
Deferred compensation	37,500	27,500
Notes payable	66,601,958	67,011,380
	<hr/>	<hr/>
Total Liabilities	\$ 77,644,136	\$ 80,284,808
	<hr/>	<hr/>
Net Assets		
Unrestricted:	31,992,487	33,331,729
Temporarily restricted	6,790,691	6,581,343
Permanently restricted	1,854,855	1,798,053
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Total net assets	\$ 40,638,033	\$ 41,711,125
	<hr/>	<hr/>
Total Liabilities and net assets	\$ 118,282,169	\$ 121,995,933
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NOTE: March Village Activity not included

	March 31, 2017	June 30, 2016
Cash Flows From Operating Activities		
Change in net assets	\$ 111,625	\$ (273,196)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,894,322	5,457,122
Net realized and unrealized (gain) loss on investments	242,035	(40,010)
Provision for present value of pledges receivable	(128,683)	150,235
Provision for uncollectible pledge receivable	84,435	312,012
Provision for uncollectible notes receivable	703,642	(50,326)
Gifts restricted for long-term investments	(62,180)	-
Decrease (increase) in operating assets:		
Pledges receivable	428,775	(292,490)
Other receivables	349,635	167,229
Other assets	137,122	(129,605)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	4,799,710	1,218,489
Other liabilities	(9,185)	174,183
Net cash provided by operating activities	10,551,253	6,693,643
Cash Flows From Investing Activities		
Purchase of property and equipment	(6,432,698)	(2,221,558)
Purchase of investments	(4,717,591)	(1,815,536)
Proceeds from sale of investments	450,257	1,679,110
Increase (decrease) in:		
Cash restricted to investment		
Deposits with trustee	(1,932,296)	(67,112)
Notes receivable, net	394,774	264,673
Net cash provided by (used in) investing activities	(12,237,554)	(2,160,423)
Cash Flows From Financing Activities		
Gifts restricted for long-term investments	(167,047)	(20,073)
Payments on long-term debt	(293,216)	(1,005,092)
Proceeds from a note payable		-
Net cash (used in) financing activities	(460,263)	(1,025,165)
Net Increase in Cash	(2,146,564)	- 3,508,055
Cash and Cash Equivalents, beginning of year	16,336,187	12,828,132
Cash and Cash Equivalents, end of year	\$ 14,189,623	\$ 16,336,187
Supplemental Cash Flow Disclosures		
Cash paid for interest	\$ 3,499,255	\$ 4,776,348
Non-Cash Investing Activities		
Assets acquired from capital lease obligation	\$ -	

Ratio Analysis:

"Days" Cash on Hand

	Mar-17	Mar-16
Cash and Investments	9,127,282	15,578,735
Title IV Funds Available	5,062,341	4,721,232
Investments	11,474,885	7,562,849
	25,664,508	27,862,816
Restricted Cash	(1,833,892)	(2,613,023)
	23,830,616	25,249,793
Operating Expenses	48,715,525	47,439,620
Principal	940,000	855,000
Depreciation and Amortization	(3,835,031)	(4,090,823)
Interest from Cap I Fund		
Change in PV of Deferred Comp		
Provision for Doubtful Accounts		
	45,820,493	44,203,797
	274	274
	167,228	161,328
Days Cash on Hand	142.50	156.51
Requirement	80.0	80.0
	62.50 Pass	76.51 Pass

This and the following tabs support calculations related to bond covenant compliance.

Debt Service Coverage Ratio

Defined as "the ratio of (i) Revenues Available for Debt Service to (ii) the Debt Service Requirement

Revenues Available for Debt Service

	Mar-17		Mar-16	
	<u>47,666,311</u>		<u>46,921,241</u>	
Operating Revenues				
Operating Expenses:				
Total operating expenses	48,715,525		47,439,620	
Less:				
Interest on Long-Term Indebtedness	3,499,255		3,544,899	
Amortization of financing charges				
Depreciation	3,835,031		4,090,823	
	<u>7,334,287</u>	41,381,238	<u>7,635,722</u>	39,803,898
Revenues Available for Debt Service		6,285,073		7,117,343
Debt Service Requirement				
Payments of principal and interest on bonds		4,215,450		4,194,433
Payments on other long-term indebtedness		<u>373,617</u>		<u>116,310</u>
		4,589,066		4,310,743
		1.37		1.65
		<u>1.20 Requirement</u>		<u>1.20 Requirement</u>
		0.17 Pass		0.45 Pass

Long-term Indebtedness Coverage Ratio March 31, 2017

	<u>Mar-16</u>	<u>Mar-15</u>
Unrestricted Cash and Investments		
Cash	9,127,282	15,578,735
Title IV Funds Available	5,062,341	4,721,232
Investments	11,474,885	7,562,849
Restricted Cash	<u>(1,833,892)</u>	<u>(2,613,023)</u>
	23,830,616	25,249,793
Long-term Indebtedness	66,601,958	67,011,380
	0.36	0.38
	<u>0.15 Required</u>	<u>0.15 Required</u>
	0.21 Pass	0.23 Pass

The Bond Agreement requires that 90% of trade payables be less than 60 days and that this must be tested annually by the auditors

	<u>Mar-16</u>	<u>Mar-15</u>
A/P greater than 60 days per aging	3,643	529
Total A/P (after adjustment) per detail	<u>358,436</u>	<u>47,259</u>
% less than 60 days	99.0%	98.9%
Minimum Requirement	<u>90.0%</u>	<u>90.0%</u>
Difference	9.0% Pass	8.9% Pass