Life University, Inc.

Financial Statements, Reports and Schedules Required by the Uniform Guidance and Other Information
Years Ended June 30, 2017 and 2016

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Life University, Inc.

Financial Statements, Reports and Schedules Required by the Uniform Guidance and Other Information

Years Ended June 30, 2017 and 2016

Independent Auditor's Report

The Board of Trustees
Life University, Inc.
Marietta, Georgia

We have audited the accompanying financial statements of Life University, Inc., (the "University") which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 Life University, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information presented in the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administration 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.

The Debt Service Coverage Ratio Calculation has not been subjected to the auditing procedures in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BDO USA, LLP

Atlanta, Georgia
September 29, 2017

June 30,		**2017**		2016
Assets				
Cash and cash equivalents	**$**	**13,291,029**	$	16,336,187
Investments		**4,589,440**		5,594,731
Deposits with trustee		**6,822,802**		6,729,413
Pledges receivable, net		**1,582,810**		1,989,808
Other receivables, net		**1,733,160**		1,327,307
Other assets		**1,647,640**		1,360,622
Notes receivable, net		**2,578,708**		3,065,751
Property and equipment, net		**75,462,665**		74,968,263
Investments permanently restricted for endowment		**1,946,490**		1,792,675
Total Assets	**$**	**109,654,744**	$	113,164,757
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**6,531,372**	$	5,749,924
Other liabilities		**757,038**		824,554
Notes payable and capital lease obligations, net		**64,694,880**		65,084,647
Total Liabilities		**71,983,290**		71,659,125
Net Assets				
Unrestricted		**32,566,394**		33,081,069
Temporarily restricted		**3,158,570**		6,631,888
Permanently restricted		**1,946,490**		1,792,675
Total Net Assets		**37,671,454**		41,505,632
Total Liabilities and Net Assets	**$**	**109,654,744**	$	113,164,757

See accompanying independent auditor's report and notes to financial statements.

Year ended June 30,	2017 Total	2017 Unrestricted	2017 Temporarily Restricted	2017 Permanently Restricted	2016 Total	2016 Unrestricted	2016 Temporarily Restricted	2016 Permanently Restricted
Revenue, Gains and Other Support								
Student tuition and fees								
College of Chiropractic	$ 50,985,507	$ 50,985,507	$ -	$ -	$ 51,299,952	$ 51,299,952	$ -	$ -
Non-chiropractic graduate	1,845,084	1,845,084	-	-	1,766,956	1,766,956	-	-
Undergraduate	7,642,703	7,642,703	-	-	7,488,536	7,488,536	-	-
Less Institutional scholarships and tuition discounts	(3,343,841)	(3,343,841)	-	-	(2,898,967)	(2,898,967)	-	-
Net student tuitions and fees	57,129,453	57,129,453	-	-	57,656,477	57,656,477	-	-
Private contributions	1,177,208	642,307	397,646	137,255	1,196,547	331,584	860,005	4,958
Interest and dividend income	271,009	225,557	28,892	16,560	188,553	144,678	28,760	15,115
Net realized and unrealized gains from investments	569,153	380,326	188,827	-	40,010	33,723	6,287	-
Clinic receipts	877,421	877,421	-	-	485,620	485,620	-	-
Sales and services of auxiliary enterprises	4,148,320	3,949,889	198,431	-	3,675,458	3,675,458	-	-
Net assets released from restrictions	-	4,287,114	(4,287,114)	-	-	239,955	(239,955)	-
Total Revenue, Gains and Other Support	64,172,564	67,492,067	(3,473,318)	153,815	63,242,665	62,567,495	655,097	20,073
Expenses								
Educational and general								
Instructional and research	21,644,022	21,644,022	-	-	21,976,856	21,976,856	-	-
Public service	1,057,338	1,057,338	-	-	983,585	983,585	-	-
Academic support	3,617,034	3,617,034	-	-	3,334,096	3,334,096	-	-
Student services	8,680,090	8,680,090	-	-	8,626,835	8,626,835	-	-
Institutional support	13,749,297	13,749,297	-	-	13,617,197	13,617,197	-	-
Fundraising	887,006	887,006	-	-	1,015,974	1,015,974	-	-
Operational and maintenance of plant	4,933,235	4,933,235	-	-	4,583,624	4,583,624	-	-
Impairment loss on dormitories and other improvements	2,368,905	2,368,905	-	-	-	-	-	-
Interest expense	4,848,509	4,848,509	-	-	4,894,932	4,894,932	-	-
Total Education and General	61,785,436	61,785,436	-	-	59,033,099	59,033,099	-	-
Auxiliary Enterprises Expenses	6,221,306	6,221,306	-	-	4,482,762	4,482,762	-	-
Total Expenses	68,006,742	68,006,742	-	-	63,515,861	63,515,861	-	-
Change in Net Assets	(3,834,178)	(514,675)	(3,473,318)	153,815	(273,196)	(948,366)	655,097	20,073
Net Assets, beginning of year	41,505,632	33,081,069	6,631,888	1,792,675	41,778,828	34,029,435	5,976,791	1,772,602
Net Assets, end of year	$ 37,671,454	$ 32,566,394	$ 3,158,570	$ 1,946,490	$ 41,505,632	$ 33,081,069	$ 6,631,888	$ 1,792,675

See accompanying independent auditor's report and notes to financial statements.

Year ended June 30,	**2017**	2016
Cash Flows From Operating Activities		
Change in net assets	**$ (3,834,178)**	$ (273,196)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**5,614,485**	5,457,122
Net realized and unrealized gain on investments	**(569,153)**	(40,010)
Impairment loss	**2,368,905**	-
Provision for present value of pledges receivable	**(50,728)**	150,235
Provision for uncollectible pledge receivable	**(28,958)**	312,012
Provision for (recovery of) uncollectible notes receivable	**133,676**	(50,326)
Gifts restricted for long-term investments	**(153,815)**	(20,073)
(Increase) decrease in operating assets:		
Pledges receivable	**486,684**	(292,490)
Other receivables	**(405,853)**	167,229
Other assets	**(287,018)**	(129,605)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**41,694**	1,218,489
Other liabilities	**(67,516)**	174,183
Net cash provided by operating activities	**3,248,225**	6,673,570
Cash Flows From Investing Activities		
Purchase of property and equipment	**(6,785,490)**	(2,221,558)
Purchase of investments	**(5,108,683)**	(1,835,609)
Proceeds from sale of investments	**6,529,312**	1,679,110
Deposits with trustee	**(93,389)**	(67,112)
Proceeds from notes receivable	**353,366**	264,673
Net cash used in investing activities	**(5,104,884)**	(2,180,496)
Cash Flows From Financing Activities		
Gifts restricted for long-term investments	**153,815**	20,073
Payments on notes payable and capital lease obligations	**(1,342,314)**	(1,005,092)
Net cash used in financing activities	**(1,188,499)**	(985,019)
Net (Decrease) Increase in Cash and Cash Equivalents	**(3,045,158)**	3,508,055
Cash and Cash Equivalents, beginning of year	**16,336,187**	12,828,132
Cash and Cash Equivalents, end of year	**$ 13,291,029**	$ 16,336,187
Supplemental Cash Flow Disclosures		
Cash paid for interest	**$ 4,681,665**	$ 4,722,663

See accompanying independent auditor's report and notes to financial statements.

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Life University, Inc. (the "University") is a not-for-profit educational institution located in Marietta, Georgia (metropolitan Atlanta) offering a doctor of chiropractic degree, masters degree programs in sports health science and clinical nutrition, and undergraduate degrees in business, biology, psychology, exercise science, nutrition, dietetics, biopsychology, computer information management, general studies and health coaching. The University was founded in 1974. The College of Chiropractic is the largest program offered by the University, accounting for approximately 89% of net student tuition and fee revenue for the years ended June 30, 2017 and 2016.

The University maintains fully accredited status with its regional accrediting agency, the Southern Association of Colleges and Schools ("SACS"). SACS granted reaffirmation of accreditation to the University effective through 2021. In addition, the University's chiropractic program is accredited by the Council on Chiropractic Education ("CCE") through 2021.

The University's nutrition and dietetics programs maintain either approved or developmental accreditation status with the Accreditation Council for Education in Nutrition and Dietetics ("ACEND") of the American Dietetic Association ("ADA") through 2018. The Dietetic Internship accreditation is through 2017.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The University presents its financial statements in accordance with the Financial Accounting Standards Board ("FASB")'s not-for-profit presentation and disclosure guidance. Under this guidance, the University is required to report information regarding its financial position and activities according to three categories of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are not subject to donor-imposed restrictions and are used to account for resources available to carry out the purposes of the University in accordance with the limitations of its by-laws. Temporarily restricted net assets are subject to donor-imposed restrictions that may be met either by the actions of the University pursuant to those restrictions or the passage of time. Permanently restricted net assets are permanently subject to donor imposed restrictions that do not expire over time.

Recent Accounting Pronouncements

The FASB has issued Accounting Standard Update ("ASU") No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* ("ASU 2015-14"). In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. This is effective to annual reporting periods beginning after December 15, 2017, as the University has conduit debt (tax-exempt debt). ASU No. 2014-09, which supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To achieve that core principle, an entity is required to follow five steps which are comprised of (a) identifying the contract(s) with a customer; (b) identifying the performance obligations in the contract; (c) determining the transaction price; (d) allocating the transaction price to the performance obligations in the contract and (e) recognizing revenue when (or as) the entity satisfies a performance obligation. The University is still evaluating the impact of this standard to its financial statements.

The FASB has issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40),* which provides U.S. GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. This update is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Management has evaluated its ability to continue as a going concern for a period one year beyond the date these financial statements have been issued, and concludes that no issue of going concern are present.

The FASB has issued lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842).* Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date; a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. This is effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of this standard to its financial statements.

In August 2016, the FASB issued ASU No. 2016-14 to Topic 958. ASU No. 2016-14 address the presentation of not-for-profit entities and is intended to provide more useful information to donors, grantors and other users, addressing five key qualitative and quantitative matters. This update is effective for fiscal years beginning after December 15, 2018. The University is still evaluating the impact of the pronouncement on the financial statements and currently believes that this pronouncement will have an impact on its financial statement presentation and disclosures.

In August 2016, the FASB issued ASU No. 2016-15 to Topic 230, *Statement of Cash Flows*, making changes to the classification of certain cash receipts and cash payments in order to reduce diversity in presentation. This update is effective for fiscal years beginning after December 15, 2017. The University has evaluated the impact of the pronouncement and concludes the pronouncement will not have a significant impact on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18 to Topic 230, *Statement of Cash Flows*, which will require restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts shown on the statement of cash flows. Consequently, transfers between cash and restricted cash will not be presented as a separate line item in the operating, investing or financing sections of the cash flow statement. This update is effective for fiscal years beginning after December 15, 2017. The University has evaluated the impact of the pronouncement and concludes the pronouncement will not have a significant impact on the financial statements.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs,* which requires debt issuance costs related to a recognized debt liability to be presented on the statement of financial position as a direct deduction from the debt liability, similar to the presentation of debt discounts. The ASU is effective for fiscal years beginning after December 15, 2015. The ASU requires retrospective application to all prior periods presented in the financial statements. The University adopted this ASU during the year ended June 30, 2017. The adoption of this pronouncement has been reflected in the Statements of Financial Position. The University has retroactively adjusted the accompanying June 30, 2016 Statement of Financial Position by decreasing notes payable by $1,071,347.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist primarily of bank demand deposits and other short-term highly-liquid investments. Cash and cash equivalents do not include cash restricted to long-term investment.

The University maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. At June 30, 2017, the University's uninsured cash balances were approximately $10,862,757.

The University maintains, as required by the Department of Education, separate bank accounts containing federally funded financial aid and federally subsidized student loans. The use of these funds is restricted to student financial aid. The restricted cash amounts as of June 30, 2017 and 2016 were $2,162,648 and 2,040,584, respectively, and are included in cash and cash equivalents.

Notes Receivable

Notes receivable are carried at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is increased by charges to expenses and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on past loan loss experience and specific past due loans. Loans are considered past due if full principal or interest payments are not anticipated to be received in accordance with the contractual terms. The University's practice is to charge-off any loan when the loan is determined by management to be uncollectible.

Interest on International Student Loans is recognized over the life of the loan and is calculated using the simple-interest method on principal amounts outstanding. No interest income is recognized on Federal Perkins Loans.

Investments

The University's investments include various types of investments including equity and fixed income securities and mutual funds. The University records all investments at fair value, with realized and unrealized gains and losses being reported in the statement of activities and changes in net assets. Investment earnings, including dividends and interest, are recognized as income when earned.

The estimated fair value of publicly traded investments is based on quoted market prices. Investments which are not publicly traded consist of investments in fixed income securities are reflected at fair value. Depending on the underlying asset, the fair value for these investments is determined through national exchange price for securities with a readily determinable value or valuations and estimates typically determined by external pricing sources.

Investment securities are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the University's statement of financial position and statement of activities and changes in net assets.

Net gains and losses on the sale of investments are reported in the statement of activities and changes in net assets in the appropriate net asset classification. Investment income and appreciation (depreciation) of market value is recorded as change in unrestricted net assets, temporality restricted net assets, or permanently restricted net assets depending on any donor stipulations on the use of income.

Property and Equipment

Property and equipment are stated at cost at the acquisition date or fair market value at the date of donation in the case of gifts. Property and equipment donations are reported as unrestricted support unless the donor has restricted the use of the asset for a specific purpose. Contributions of cash, other assets, and unconditional promises to give that are restricted for the purpose of acquiring property and equipment are reported as restricted support. When there are no explicit donor stipulations about how long those long lived assets must be maintained, the University reports expirations of donor restrictions when the acquired long-lived assets are placed in service. Such expirations of donor restrictions are reported as reclassifications to unrestricted net assets.

Depreciation is computed on the straight-line method over the following estimated useful lives:

	Useful Lives
Buildings	40 years
Equipment and furnishings	3-7 years
Library books	7 years
Land improvements	15 years

Leased property is depreciated over the shorter of the estimated useful life or lease terms.

Impairment of Long-Lived Assets

The University evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the assets to the future cash flows expected to be generated by the assets. 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 the carrying amount or fair value less costs to sell.

For the year ended June 30, 2017, the University recorded an impairment loss in the amount of $2,368,906, which represents the net book value of dormitories and other improvements that were vacated and taken out of service in June 2017 for construction of a new student housing and dining facility.

Pledges Receivable

Contributions of cash, other assets, and unconditional promises to give are recognized when received from the donor. Classification of these contributions as unrestricted, temporarily restricted, or permanently restricted is based upon any donor-imposed stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in the future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using an appropriate discount rate applicable to the year in which the promise is received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as pledges receivable until such time as the conditions are substantially met.

Debt Issuance Cost

The University amortizes certain capitalized financing costs using the effective interest method over the terms of the respective notes payable. The unamortized portion of debt issuance costs are netted against notes payable in the accompanying financial statements.

Revenue Recognition

Student tuition and fees is reported net of scholarship discounts and allowance in the statements of activities and changes in net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation expense is allocated among educational and general, and auxiliary expenses based on a combination of specific allocation and estimated departmental usage of the underlying facilities.

Income Tax Status

The University is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the “Code”). Any unrelated business income, as defined by Section 512(a)(1) of the Code is subject to income taxes. U.S. generally accepted accounting principles require the University’s management to evaluate tax positions taken by the University and recognize a tax liability if the University has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the University, and has concluded that as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The University recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in other institutional expenses. There were no interest or penalties recognized in either of the years ended June 30, 2017 or 2016.

The University's federal Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2017, 2016 and 2015 are subject to examination by the IRS.

Advertising Costs

Advertising costs are expensed when incurred and totaled $884,331 and $430,967 for the years ended June 30, 2017 and 2016, respectively.

Fair Value Measurements

The University has established processes and methodologies for determining the fair values of the investments measured on a recurring basis in accordance with ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 establishes 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 under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The estimated fair values of the University's financial assets and liabilities are as follows as of June 30, 2017:

	Carrying Amount	*Fair Value*
Cash and cash equivalents	**$ 13,291,029**	$ 13,291,029
Investments	**4,589,440**	4,589,440
Deposits with trustee	**6,822,802**	6,822,802
Pledges receivable	**1,582,810**	1,582,810
Federal Perkins and other federal student loans (included in notes receivable)	**2,304,318**	Not determinable
International student loans (included in notes receivable)	**237,509**	237,509
Investments permanently restricted for endowment	**1,946,490**	1,946,490
Notes payable	**64,018,641**	74,693,937

The following methods and assumptions were used by the University in estimating the fair value of its financial instruments:

- Cash and cash equivalents - The carrying amount approximates fair value due to the short maturities of these instruments.

- Investments, deposits with trustee and investments permanently restricted for endowment - As disclosed in Note 4, the fair value of these assets has been measured in accordance with ASC 820.

- Pledges receivable - The fair value of pledges receivable is estimated based upon the amount of future cash flows as disclosed in Note 2.

- Federal Perkins, other federal student loans, and international student loans - It is not practical to estimate the fair value given restrictions imposed on these federal student financial aid loans. Schools participating in the Federal Perkins Loan Program may assign unpaid loans to the Department of Education with certain conditions being met.

- Notes payable - The fair value of notes payable are based on quoted prices for the same or similar liabilities when traded as assets.

Endowment

The University has interpreted the version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted by the State of Georgia as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the portion of investment return added in accordance with the gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standards of prudence prescribed by UPMIFA.

The University has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of income for funding institutional scholarships while seeking to maintain the principal portion of the endowment assets. Under this policy, the endowment assets are invested primarily in mutual funds and fixed income securities.

The endowments annual appropriations are based on criterion for the individual scholarships as established by the donor with student eligibility determined by the University.

2. Pledges Receivable, Net

Unconditional promises to give, consisting primarily of capital project fundraising campaigns as of June 30, 2017 and 2016, have been recorded at the net present value of estimated future cash flows using a discount rate ranging from 3% to 3.25% for each of the years ended June 30, 2017 and 2016. The discount rate was determined based on factors such as when the promise is expected to be collected, the donor's creditworthiness, past collection experience, the University's policy on enforcing promises to give, uncertainty inherent in the cash flows, and other relevant factors. Unconditional promises to give consist of the following:

June 30,	**2017**	2016
Promises collectible within one year	**$ 513,365**	$ 530,209
Promises collectible in one to five years	**1,344,504**	1,764,344
Promises collectible after five years	**107,500**	157,500
	1,965,369	2,452,053
Less discount on promises to give	**(99,507)**	(150,235)
Less allowance for uncollectible promises to give	**(283,052)**	(312,010)
Pledges receivable, net	**$ 1,582,810**	$ 1,989,808

3. Notes Receivable, Net

Notes receivable consists primarily of Federal Perkins loans, which are available to both undergraduate and graduate students based on need, and international student loans, which are designed to assist students from abroad. The amounts outstanding and related allowances for doubtful accounts are as follows at:

June 30,	**2017**	2016
Federal Perkins loans	**$ 6,851,075**	$ 7,567,972
Other federal student loans	**1,067,216**	941,943
Less refundable grant advances from the U.S. Department of Education	**(4,787,503)**	(4,562,414)
Federal Perkins and other federal student loans	**3,130,788**	3,947,501
Allowance for doubtful accounts	**(826,470)**	(1,255,752)
Federal Perkins and other federal student loans, net	**2,304,318**	2,691,749
International student loans	**399,694**	470,193
Allowance for doubtful accounts	**(162,185)**	(146,323)
International student loans, net	**237,509**	323,870
Other non-student loan	**36,881**	50,132
Total notes receivable	**3,567,363**	4,467,826
Less allowance for doubtful accounts	**(988,655)**	(1,402,075)
Notes receivable, net	**$ 2,578,708**	$ 3,065,751

4. Investments and Deposits with Trustee

The following tables set forth the components, at fair value, of the University's investments and deposits with trustee including the level within the fair value hierarchy established by ASC 820 as of June 30, 2017 and 2016:

June 30, 2017	*Level 1*	*Level 2*	*Total*
Investments:			
Common stock	**$ 3,057,173**	**$ -**	**$ 3,057,173**
Mutual funds	**63,877**	**-**	**63,877**
Certificate of deposit	**263,592**	**-**	**263,592**
Fixed income securities:			
Corporate obligations	**-**	**1,823,877**	**1,823,877**
US government securities	**1,327,411**	**-**	**1,327,411**
Total investments	**4,712,054**	**1,823,877**	**6,535,930**
Less investments permanently restricted for endowment	**-**	**-**	**1,946,490**
Investments at fair value	**$ 4,712,054**	**$ 1,823,877**	**$ 4,589,440**
Deposits with trustee:			
Money market funds	**$ 6,822,802**	**$ -**	**$ 6,822,802**

June 30, 2016	*Level 1*	*Level 2*	*Total*
Investments:			
Common stock	$ 2,986,577	$ -	$ 2,986,577
Mutual funds	65,886	-	65,886
Certificate of deposit	263,038	-	263,038
Fixed income securities:			
Corporate obligations	-	2,296,149	2,296,149
US government securities	1,775,756	-	1,775,756
Total investments	5,091,257	2,296,149	7,387,406
Less investments permanently restricted for endowment	-	-	1,792,675
Investments at fair value	$ 5,091,257	$ 2,296,149	$ 5,594,731
Deposits with trustee:			
Money market funds	$ 6,729,413	$ -	$ 6,729,413

The University did not hold any Level 3 investments as of June 30, 2017 and 2016.

The fair value of investments in equity securities, mutual funds and US government securities is determined based on publicly available quoted market prices. The fair value of investments in corporate bonds is determined through national exchange price for securities with a readily determinable value or valuations and estimates typically determined by external pricing sources. The carrying value of money market accounts and certificate of deposits approximates fair value due to short-term maturities of these investments.

In conjunction with the loan agreement between the University and the Development Authority of the City of Marietta described in Note 6, the University is required to maintain certain funds with a third-party trustee. The use of all funds required to be on deposit with the trustee is restricted in accordance with the loan agreement.

5. Property and Equipment, Net

Property and equipment consisted of the following at:

June 30,	**2017**	2016
Cost		
Buildings	**$ 109,031,084**	$ 108,122,319
Land	**3,442,320**	3,442,320
Land improvements	**9,793,555**	9,402,790
Equipment and furnishings	**28,950,233**	24,233,861
Library books	**4,131,820**	4,015,215
Construction in progress and assets yet to be placed into service	**887,926**	1,078,390
Total Cost	**156,236,938**	150,294,896
Less accumulated depreciation	**(80,774,273)**	(75,326,633)
Property and Equipment, Net	**$ 75,462,665**	$ 74,968,263

The aggregate depreciation expense charged to operations was $5,447,640 and $5,284,853 for the years ended June 30, 2017 and 2016, respectively.

6. Notes Payable and Capital Lease Obligations, Net

The balance of notes payable and capital lease obligations as of June 30, 2017 and 2016 consisted of the following:

June 30,	**2017**	2016
Promissory notes payable to the Development Authority of the City of Marietta, Georgia, Series 2008 with a total face amount of $71,465,000	**$ 65,970,000**	$ 66,910,000
Note payable to a financial institution with a face amount of $500,000	**-**	229,006
Real estate loan payable with original principal balance of $270,000	**137,233**	190,258
Less unamortized discount on notes payable to the Development Authority	**(1,096,541)**	(1,184,090)
Less unamortized debt issuance costs	**(992,051)**	(1,071,347)
Capital lease obligations	**676,239**	10,820
Notes payable and capital lease obligations, net	**$ 64,694,880**	$ 65,084,647

On August 1, 2008, the University entered into a loan agreement (the "Loan Agreement") with the Development Authority of the City of Marietta (the "Development Authority") for the Development Authority to issue university facility and refunding bonds ("Series 2008 Bonds) and surrender the proceeds to the University.

The notes payable is secured by deposits with trustee, a first mortgage on all real and personal property owned by the University, a security interest in equipment owned by the University, and assignments of rents and leases, and all revenues. The aggregate carrying value of the University's assets used to secure the loan is approximately $89,300,000 as of June 30, 2017.

The Series 2008 Bonds were issued under three separate CUSIP numbers which have stated interest rates of 6.25%, 7.00%, and 7.00% and effective interest rates of 6.75%, 7.125%, and 7.25%, respectively. The Bonds mature on June 15, 2020, 2030, and 2039.

The proceeds from the Series 2008 Bonds were used for the refunding of previously issued bonds, financing the acquisition, construction, renovation, and equipping of various facilities located on the University's campus, funding various reserve funds, and paying all or a portion of the costs associated with issuance of the notes.

Amortization of the discount of $87,549 and $90,403 for the years ended June 30, 2017 and 2016, respectively, is recorded as interest expense in the statements of activities and changes in net assets.

The University has made all payments required under the loan agreement through June 30, 2017.

The loan agreement requires the University to meet certain financial covenants which include a debt service coverage ratio and a day's cash calculation. As of June 30, 2017, the University has a Debt Service Coverage Ratio of 2.07 and 104 days of cash, as defined in the applicable agreements, which are in compliance with the financial covenants.

The loan agreement with the Development Authority requires the University to make payments to a sinking fund in an annual cumulative amount equal to the principal and interest payable each June 15 and December 15.

The following is a summary of maturities and sinking fund requirements of this note payable as of June 30, 2017:

	Principal	***Interest***	***Sinking Fund Requirement***
2018	**$ 1,030,000**	**$ 4,592,550**	**$ 5,622,550**
2019	**1,125,000**	**4,528,175**	**5,653,175**
2020	**1,225,000**	**4,457,863**	**5,682,863**
2021	**1,335,000**	**4,381,300**	**5,716,300**
2022	**1,460,000**	**4,287,850**	**5,747,850**
Thereafter	**59,795,000**	**47,087,550**	**106,882,550**
Total	**$ 65,970,000**	**$ 69,335,288**	**$ 135,305,288**

On August 28, 2013, the University entered into a credit agreement with a federally insured financial institution whereby the University issued an interest bearing promissory note with principal amount of $500,000 ("Term Note") and bears interest at 3.97% per annum. The Term Note is payable in monthly installments of $9,215 commencing on September 27, 2013 through July 27, 2016 with the remaining unpaid principal and accrued interest due and payable in full at maturity on August 27, 2016. The proceeds of the Term Note were used for a University HVAC replacement and controls upgrade project. As of June 30, 2017 this note has been paid in full.

On November 14, 2014, the University purchased a real estate property contiguous to the University from a third party for $325,000. The University paid $55,000 at closing with the remaining balance of $270,000 payable in 49 monthly installments of $4,972 commencing on December 1, 2014. The real estate loan balance is to be paid in full on November 1, 2019 and bears interest at 4.0% per annum. The purchased real estate property will be used as an additional University facility.

Interest expense on notes payable recognized for the years ended June 30, 2017 and 2016 was $4,815,696 and $4,874,780, respectively.

Notes payable is presented net of the debt issuance costs, which relate to the University's notes payable to the Development Authority of the City of Marietta. The net debt issuance costs consist of the following at:

June 30,	**2017**	2016
Debt issuance costs	**$ 1,758,648**	$ 1,758,649
Less accumulated amortization	**(766,597)**	(687,302)
Debt issuance costs, net	**$ 992,051**	$ 1,071,347

Amortization of debt issuance costs is included in interest expense in the statements of activities and change in net assets. Amortization expense recognized for the years ended June 30, 2017 and 2016 were $79,295 and $81,866, respectively.

7. Other Liabilities

Other liabilities presented in the accompanying statements of financial position consist primarily of deferred revenues, deferred compensation, student pre-deposits and refunds.

Other liabilities consist of the following at:

June 30,	**2017**	2016
Student pre-deposits and refunds	**$ 368,555**	$ 354,678
Deferred Compensation	**40,000**	55,000
Deferred Revenue	**348,483**	414,876
Other liabilities	**$ 757,038**	$ 824,554

8. Net Assets

At June 30, 2017 and 2016, temporarily restricted net assets consisted of cash and cash equivalents and pledge receivable.

Temporarily restricted net assets consist of the following at:

June 30,	**2017**	2016
Scholarships	**$ 1,445,022**	$ 1,203,310
Capital projects	**1,713,548**	5,428,578
Temporarily restricted net assets	**$ 3,158,570**	$ 6,631,888

Permanently restricted net assets consist of endowment funds, the earned income from which is available for scholarships. Below is a summary of permanently restricted endowment funds at:

June 30,	**2017**	2016
Scholarships	**$ 1,946,490**	$ 1,792,675

The changes in endowment net assets for the year ended June 30, 2017 and 2016 are as follows:

June 30, 2017	***Temporarily Restricted***	***Permanently Restricted***	***Total***
Endowment net assets, July 1, 2016	**$ 490,140**	**$ 1,792,675**	**$ 2,282,815**
Contributions	**516**	**137,255**	**137,771**
Investment return:			
Investment income	**28,892**	**16,560**	**45,452**
Net realized and unrealized gain	**188,827**	**-**	**188,827**
Appropriation for expenditures	**(1,420)**	**-**	**(1,420)**
Endowment net assets, June 30, 2017	**$ 706,955**	**$ 1,946,490**	**$ 2,653,445**

June 30, 2016	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Endowment net assets, July 1, 2015	$ 529,577	$ 1,772,602	$ 2,302,179
Contributions	1,128	4,958	6,086
Investment return:			
Investment income	28,148	15,115	43,263
Net realized and unrealized gain	6,287	-	6,287
Appropriation for expenditures	(75,000)	-	(75,000)
Endowment net assets, June 30, 2016	$ 490,140	$ 1,792,675	$ 2,282,815

9. Sales and Service of Auxiliary Enterprises

The University engages in revenue producing activities for the benefit of both faculty and students. The University offers post graduate continuing education for the faculty to allow for state requirements to be met and offers on-campus housing and other services for students. Income attributable to the sales and services of auxiliary enterprises for the years ended June 30, 2017 and 2016 is as follows:

Year ended June 30,	**2017**	2016
Rental income and fees	**$ 3,953,548**	$ 3,498,580
Post graduate continuing education	**194,772**	176,878
Sales and service of auxiliary enterprises	**$ 4,148,320**	$ 3,675,458

10. Retirement Plan

The University has a 401(k) retirement plan that covers substantially all eligible employees of the University who have completed at least one year of service in which they worked at least 1,000 hours. Employer contributions to this plan are discretionary subject to approval by the University's Board of Trustees. For the year ended June 30, 2017, the Board of Trustees approved a University 50% matching contribution on up to a maximum of 4% of an employee's elective contributions to the 401(k) Plan when quarterly enrollment goals are met. The University contributed $199,111 and $161,235 to the plan during the years ended June 30, 2017 and 2016, respectively.

Certain key members of management participate in a defined contribution non-qualified pension plan. The University contributes a predetermined percentage of each member's annual compensation to the plan each year. The University's contributions to this plan amounted to $124,000 and $122,319 during the years ended June 30, 2017 and 2016, respectively.

11. Concentrations

The University participates in various federal and state programs that provide financial assistance to its students. These programs are subject to specific regulatory requirements including program audits and reviews.

12. Related Party Transactions

On February 18, 2010, the Board of Trustees (the "Board") approved a consulting agreement entered into with a former Board member. Under the terms of the agreement, the consultant is to provide various services to the University and Board and is to be paid annual consulting fees. The agreement is renewable annually. Total compensation and expense allowance under this agreement amounted to $100,000 and $115,000 during each of the years ended June 30, 2017 and 2016, respectively.

13. Legal Contingencies

The University is party to various legal proceedings arising in the ordinary course of business. Management believes, after consultation with legal counsel, the outcome of such actions will not have a material adverse impact on the financial statements of the University.

14. Commitments

The University leases an off-campus office space under a non-cancelable operating lease agreement which terminates after 65 months from commencement date of January 15, 2015. The University recognizes rent expense on a straight-line basis over the lease term. Rental expense totaled $144,783 for each of the years ended June 30, 2017 and 2016.

The University entered into a lease commitment for clinic space with a commencement date of July 1, 2016 for 130 months. In addition, the University entered into a lease guaranty agreement on behalf of an unrelated entity as the tenant effective July 1, 2016 in the amount of $698,351. The guaranty is reduced ratably beginning the seventeenth month over a period of one hundred thirteen months. This is a guaranty of payment only and not of collection or performance guaranty and shall be limited to the unamortized portion which is computed on a straight line basis.

The University entered into a lease financing agreement for the partial financing of the construction of athletic facilities effective August 16, 2016. The lease has a term of 60 months with monthly lease payment of $6,627 plus applicable taxes. The lease contains a provision for the University to exercise its right for a buyout of $39,538 at the end of the lease team.

As of June 30, 2017, future capital and operating lease commitments are as follows:

Year ending June 30,	***Capital Leases***	***Operating Leases***
2018	**$ 166,317**	**$ 396,308**
2019	**161,286**	**411,882**
2020	**154,072**	**386,467**
2021	**151,321**	**217,320**
2022	**108,432**	**223,836**
Thereafter	**-**	**1,179,652**
Total	**$ 741,428**	**$ 2,815,465**

The University has a service agreement with a third party property manager for its student housing project. The property manager receives reimbursement of monthly expenses and a monthly management fee equal to the sum of $5,570 plus 2.5% of the monthly gross collection. The management fee may not exceed 5% of monthly gross collections. The leasing agreement is for a five year term beginning on July 3, 2012. Management fees paid under this agreement for the years ended June 30, 2017 and 2016 totaled $126,427 and $126,235, respectively.

The University entered into an agreement effective July 1 2015 for the management of the University's on campus food service program. Under this agreement, the University is required to pay a management fee of 5% of gross revenues of the food service program. Fees paid for the years ended June 30, 2017 and 2016 totaled $258,050 and $260,369, respectively.

15. Subsequent Events

The University has evaluated subsequent events and their potential effects on the financial statements through September 29, 2017, which is the date the financial statements were available to be issued.

On July 13, 2017, the University was successful in obtaining new financing of approximately $99,430,000 from two series of bonds issued by The Development Authority of the City of Marietta. In addition to redeeming the remaining principal of existing bond debt, proceeds are designated to be used for on campus construction of a new student housing and dining facility, issuance costs, and a portion will be deposited to debt service reserve fund and capitalized interest account.

The following is a summary of the maturities of the new bonds:

Year ending June 30,		**Amount**
2018		**$ 1,615,000**
2019		**1,270,000**
2020		**1,650,000**
2021		**1,775,000**
2022		**1,900,000**
Thereafter	**-**	**91,220,000**
Total		**$ 99,430,000**

Also, subsequent to June 30, 2017 the University established Vital Life Health Centers, LLC, a wholly owned subsidiary of the University, which provides chiropractic and related neurology services in the Midtown area of Atlanta, Georgia.

Independent Auditor's 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*

The Board of Trustees
Life University, Inc.
Marietta, Georgia

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 Life University, Inc. (the "University"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

BDO USA, LLP

Atlanta, Georgia
September 29, 2017

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Trustees
Life University, Inc.
Marietta, Georgia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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 item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a deficiency.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The 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.

BDO USA, LLP

Atlanta, Georgia
September 29, 2017

Federal/State Agency, Pass-through Entity Federal Program or Cluster Title/State Project	Federal CFDA Number	Student Financial Assistance Cluster	Match	Total Federal Expenditures
Federal Awards				
U.S. Department of Education				
Student Financial Assistance - Cluster:				
Federal Supplemental Educational Opportunity Grant	84.007	**$ 240,935**	**$ 695**	**$ 241,630**
Federal Work-Study	84.033	**564,883**	**7,014**	**571,897**
Federal Perkins Loan	84.038	**478,783**	**-**	**478,783**
Federal Pell Grant	84.063	**1,536,474**	**-**	**1,536,474**
Federal Direct Loan	84.268	**95,729,367**	**-**	**95,729,367**
Total Expenditures of Federal Awards		**$ 98,550,442**	**$ 7,709**	**$ 98,558,151**

See accompanying notes to schedule of expenditures of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Life University, Inc. ("the University") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

For purposes of the Schedule, the University includes loans granted under Federal Perkins Loan Program and Direct Student Loans Program as expenditures of federal awards.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Expenditures for federal student financial aid programs include the federal portion of students' Federal Supplemental Educational Opportunity Grants ("FSEOG") and Federal Work Study ("FWS") program grants, certain other federal financial aid for students, and administrative cost allowances, where applicable. Federal Pell Grant awards are recognized as agency transactions and are not recorded as expenditures in the financial statements, but are reflected in the Schedule.

3. Federal Perkins Loan Program

The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to this program are included in the University's basic financial statements. Loans made have been appropriately reflected in the Schedule. The balance of loans outstanding under the Federal Perkins Loan Program was $6,851,075 as of June 30, 2017.

4. Program Clusters

The Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to the definition, we have determined the Federal Student Financial Assistance Programs of the University to be a cluster of programs.

5. Inter-Program Transfer

Federal Supplemental Educational Opportunity Grant expenditures include $162,382 transferred from the Federal Work Study program allocation.

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiency(ies) identified?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

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

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
84.007, 84.003, 84.038, 84.063, 84.268	Student Financial Assistance Cluster

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

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in an OMB Uniform Guidance Single Audit.

No financial statement findings noted.

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by 2 CFR 200.516(a)

FINDING 2017-001

Information on Federal Program:	Student Financial Assistance Cluster (84.007, 84.003, 84.038, 87.063, 84.268)
Criteria or specific requirement (including statutory, regulatory or other citation):	*Special Tests and Provisions – Enrollment Reporting*: Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.
Condition:	The University's controls did not operate effectively, therefore, a student's enrollment information was not properly submitted to the National Student Clearinghouse in the appropriate time frame of (30) days.
Questioned costs:	$0
Context:	One of the total 40 students that withdrew during the year ended June 30, 2017 selected for testing.
Effect:	The University is not in compliance with the enrollment reporting requirements.
Cause:	The University's controls did not operate effectively due to administrative oversight.
Repeat Finding:	This is not a repeat finding.
Recommendation:	We recommend that the University implement an additional manual procedure to monitor changes in enrollment information.
Views of responsible officials and planned corrective actions:	As of September 12, 2017, the University's Director of Student Administrative Services implemented an additional procedure to monitor and ensure manual updates are made in the National Student Clearinghouse website after the Degree Verify file has been submitted following graduation. The procedure also includes notifying Registrar of any manual updates made.

LIFE University

Management's Corrective Action Plan - Life University

Management's Corrective Action Plan:

Degree Verify is processed within 30 days of the end of a term. If a student has been graduated in Colleague **after** the Degree Verify file has been submitted, the Registrar will be notified of any students. The Registrar will manually update the degree verification no later than 30 days of the status change in Colleague within the National Student Clearinghouse website.

Individuals Responsible for Corrective Action Plan

Heather Hoffman
Registrar
770-426-2991
Registrar Procedures for Degree Verify Process has been updated as of 9/12/17

This section identifies the resolution of prior year findings related to the audit of major federal programs, as required to be reported by 2 CFR 200.516.

Questioned Programs: Student Financial Assistance Cluster (84.007, 84.003, 84.038, 84.063, 84.268)

FINDING 2016-01 – Special Tests and Provisions - Return of Title IV Funds

Condition:

A student withdrawal was not properly captured and processed due to a gap in the timing of weekly withdrawal report run and the date range of weekly report that is set up in the system. This resulted in the University not timely processing return of funds for such student.

Status of Finding as of June 30, 2017:

Finding 2016-01 was remediated by the University as of June 30, 2017.

FINDING 2016-02 – Reporting – Common Origination and Disbursement ("COD") Notification

Condition:

Nine out of twenty five Pell disbursements selected for testing were not properly recorded in the COD system within the appropriate time frame of fifteen days.

Status of Finding as of June 30, 2017:

Finding 2016-02 was remediated by the University as of June 30, 2017.

FINDING 2016-03 – Reporting - Special Reporting – Fiscal Operations Report and Application to Participate (FISAP)

Condition:

The balance of Federal Perkins Loan reported in the FISAP submission for the award year 2014-2015 is not reconciled to the balance of Federal Perkins Loan per general ledger and subsidiary detail as of June 30, 2015.

Status of Finding as of June 30, 2017:

Finding 2016-03 was remediated by the University as of June 30, 2017.

FINDING 2016-04 – Eligibility – Calculation of Benefits

Condition:

The University complied with the annual award limits. However, one student was not completely deleted from all enrolled course hours after withdrawal which resulted in the University inadvertently disbursing excess award to the student.

Status of Finding as of June 30, 2017:

Finding 2016-04 was remediated by the University as of June 30, 2017.

Revenues Available for Debt Service		
Operating Revenues		
Receipts, revenues, income, rent and other money received by or on behalf of the University from or in connection with the Facilities	$	67,492,067
Exclude proceeds of any refunding bonds or other refinancing proceeds		
Exclude insurance proceeds and condemnation proceeds		
Total Operating Revenues		67,492,067 (1)
Operating Expenses		
All expenses incurred in the operation and maintenance of the Facilities		68,006,742
Add payments into operational reserves for liabilities into a repair and replacement fund in connection with the Bonds		62,687
Exclude Debt Service Requirements		
Exclude any losses or expense resulting from or related to any extraordinary and nonrecurring items		
Exclude any losses or expense related to the sale of assets, the proceeds which sale are not included in Revenues		
Less interest on long-term indebtedness		(4,681,664)
Less the amortization of financing charges attributable to long-term indebtedness		(166,844)
Less depreciation and other non-cash charges attributable to the disposition of capital assets or to the extinguishment of debt		(5,447,640)
Less expenses incurred pursuant to an escrow trust agreement which is required to be used to decease the lien of Bonds		-
Less impairment loss on dormitories and other improvements		(2,368,905)
Total Operating Expenses		55,404,376
Revenues Available for Debt Service	$	12,087,691
Debt Service Requirements		
Aggregate of the payments to be made in respect of principal of and interest on outstanding long-term indebtedness	$	5,848,536
Long-term indebtedness guaranteed by Life University		-
Variable rate long-term indebtedness		-
Exclude principal of long-term indebtedness incurred to finance the the construction of capital improvements		-
Exclude deposits with escrow agents which will be sufficient to pay such indebtedness as when the same becomes due		-
Exclude sinking fund balances for current year payments		-
Debt Service Requirements	$	5,848,536
Calculated Debt Service Coverage Ratio		2.07
Required Minimum Debt Service Coverage Ratio		1.20

(1) Under Life University Inc.'s interpretation of the debt service coverage ratio, "Operating Expenses" are expressed solely on the accrual basis of accounting which is consistent with the basis of accounting used to prepare the University's annual audited financial statements.