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AQUINAS COLLEGE

FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

TABLE OF CONTENTS

GRANNIS
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aquinas College
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Aquinas College (a nonprofit organization), which comprise the statements of financial position as of June 30, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 Aquinas College as of June 30, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 30, 2016 , on our consideration of Aquinas College’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 Aquinas College’s internal control over financial reporting and compliance.

Grannis & Associates, P.C.

Murfreesboro, Tennessee
September 30, 2016

AQUINAS COLLEGE

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash	$ 5,653,079	$ 2,999,311	$ -	$ 8,652,390
Accounts receivable, net	37,411	-	-	37,411
Unconditional promises to give, net	-	6,675	-	6,675
Prepaid expenses	65,180	-	-	65,180
Investments	384,605	1,803,001	3,233,866	5,421,472
Property and equipment, net	11,571,212	-	-	11,571,212
Total Assets	$ 17,711,487	$ 4,808,987	$ 3,233,866	$ 25,754,340

LIABILITIES AND NET ASSETS

Liabilities				
Accounts payable and accrued expenses	$ 2,229,221	$ -	$ -	$ 2,229,221
Deferred revenues and student deposits	158,259	-	-	158,259
Total Liabilities	2,387,480	-	-	2,387,480
Net Assets	15,324,007	4,808,987	3,233,866	23,366,860
Total Liabilities and Net Assets	$ 17,711,487	$ 4,808,987	$ 3,233,866	$ 25,754,340

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

ASSETS

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash	$ 3,079,451	$ 3,658,167	$ -	$ 6,737,618
Accounts receivable, net	20,628	-	-	20,628
Unconditional promises to give, net	-	194,375	-	194,375
Prepaid expenses	86,997	-	-	86,997
Investments	7,016,976	6,277,960	3,196,040	16,490,976
Property and equipment, net	2,763,253	-	-	2,763,253
Total Assets	$ 12,967,305	$ 10,130,502	$ 3,196,040	$ 26,293,847

LIABILITIES AND NET ASSETS

Liabilities				
Accounts payable and accrued expenses	$ 177,402	$ -	$ -	$ 177,402
Deferred revenues and student deposits	210,058	-	-	210,058
Total Liabilities	387,460	-	-	387,460
Net Assets	12,579,845	10,130,502	3,196,040	25,906,387
Total Liabilities and Net Assets	$ 12,967,305	$ 10,130,502	$ 3,196,040	$ 26,293,847

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

AQUINAS COLLEGE

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Reclassifications				
Gross tuition and fees	$ 6,720,618	$ -	$ -	$ 6,720,618
Less: scholarship allowance	(2,227,383)	-	-	(2,227,383)
Net Tuition and Fees	4,493,235	-	-	4,493,235
Private gifts and grants	1,165,279	183,624	37,826	1,386,729
Government grants	501,988	-	-	501,988
Investment income, net	37,277	9,863	-	47,140
Sales and services of auxiliary enterprises	393,335	-	-	393,335
Loss on disposal of fixed assets	(32,319)	-	-	(32,319)
Other revenue	89,271	-	-	89,271
Total Revenues and Gains	6,648,066	193,487	37,826	6,879,379
Net assets released from restrictions	5,515,002	(5,515,002)	-	-
Total Revenues, Gains and Reclassifications	12,163,068	(5,321,515)	37,826	6,879,379
Expenses				
Programs:				
Education and general				
Instruction	3,303,192	-	-	3,303,192
Academic support	1,081,628	-	-	1,081,628
Student services	1,129,955	-	-	1,129,955
Auxiliary enterprises	253,061	-	-	253,061
Institutional support	2,528,293	-	-	2,528,293
Operation and maintenance of physical plant	1,122,777	-	-	1,122,777
Total Expenses	9,418,906	-	-	9,418,906
Change in Net Assets	2,744,162	(5,321,515)	37,826	(2,539,527)
Net Assets, Beginning of Year	12,579,845	10,130,502	3,196,040	25,906,387
Net Assets, End of Year	$ 15,324,007	$ 4,808,987	$ 3,233,866	$ 23,366,860

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

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Reclassifications				
Gross tuition and fees	$ 8,001,813	$ -	$ -	$ 8,001,813
Less: scholarship allowance	(2,516,358)	-	-	(2,516,358)
Net Tuition and Fees	5,485,455	-	-	5,485,455
Private gifts and grants	1,008,440	169,926	236,848	1,415,214
Government grants	641,122	-	-	641,122
Investment income, net	475,478	205,900	-	681,378
Sales and services of auxiliary enterprises	314,469	-	-	314,469
Loss on disposal of fixed assets	(26,163)	-	-	(26,163)
Other revenue	68,961	-	-	68,961
Total Revenues and Gains	7,967,762	375,826	236,848	8,580,436
Net assets released from restrictions	2,509,210	(2,509,210)	-	-
Total Revenues, Gains and Reclassifications	10,476,972	(2,133,384)	236,848	8,580,436
Expenses				
Programs:				
Education and general				
Instruction	3,423,869	-	-	3,423,869
Academic support	1,118,473	-	-	1,118,473
Student services	947,554	-	-	947,554
Auxiliary enterprises	244,218	-	-	244,218
Institutional support	2,454,691	-	-	2,454,691
Operation and maintenance of physical plant	939,978	-	-	939,978
Total Expenses	9,128,783	-	-	9,128,783
Change in Net Assets	1,348,189	(2,133,384)	236,848	(548,347)
Net Assets, Beginning of Year	11,231,656	12,263,886	2,959,192	26,454,734
Net Assets, End of Year	$ 12,579,845	$ 10,130,502	$ 3,196,040	$ 25,906,387

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

AQUINAS COLLEGE

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
(Decrease) Increase in net assets	$ (2,539,527)	$ (548,347)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	260,351	262,471
In kind donated asset	-	(70,000)
Loss on disposal of fixed assets	32,319	26,163
Change in allowance for doubtful accounts	(66,714)	(63,294)
Change in pledge discount	(5,917)	(12,609)
Net realized (gains) losses on investments	(4,263,981)	(143)
Net unrealized (gains) losses on investments	4,556,797	(336,882)
Change in assets and liabilities:		
Decrease in accounts receivable	1,431	4,692
Decrease in unconditional promises to give	242,117	250,500
Decrease (Increase) in prepaid expenses	21,817	(47,458)
Increase in accounts payable and accrued expenses	69,057	72,656
Increase (Decrease) in deferred revenues	(51,799)	46,408
Contributions restricted for long-term purposes	(37,826)	(236,848)
Net Cash Used By Operating Activities	(1,781,875)	(652,691)
Cash Flows from Investing Activities		
Purchases of property and equipment	(7,117,867)	(604,760)
Purchases of investments	(13,191,082)	(171,079)
Proceeds on sales of investments	23,967,770	7,296
Net Cash Provided (Used) By Investing Activities	3,658,821	(768,543)
Cash Flows from Financing Activities		
Borrowings on line of credit	2,130,000	-
Repayment on line of credit	(2,130,000)	-
Contributions restricted for long-term purposes	37,826	236,848
Net Cash Provided By Financing Activities	37,826	236,848
Net Increase (Decrease) in Cash	1,914,772	(1,184,386)
Cash at Beginning of Year	6,737,618	7,922,004
Cash at End of Year	$ 8,652,390	$ 6,737,618
Supplemental Disclosure of Cash Flow		
Interest paid	$ 4,714	$ -
Non-Cash Transactions		
Included in accounts payable related to construction in progress	$ 1,982,762	$ -

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

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NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Aquinas College (the "College") is a private Catholic institution of higher education. Chartered on June 24, 1970 in Tennessee as a nonprofit corporation, the College has been in continuous operations since that time. The College offers an academically challenging liberal arts and sciences curriculum, and is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools.

The College is part of the Dominican Campus and is located on 83 wooded acres in Nashville, Tennessee. Owned and administered by the Dominican Sisters of St. Cecilia Congregation. The Dominican Sisters have been educating children, youth and adults of Nashville for over 150 years, leading students to a deeper knowledge of their faith, their heritage, and their responsibilities as members of society.

This summary of significant accounting policies of the College is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management who is responsible for their integrity and objectivity.

Basis of Presentation

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the College as a whole, and present balances and transactions classified according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and activities into three classes: permanently restricted, temporarily restricted or unrestricted.

Classification of Net Assets

The accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purpose by actions of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets are subject to donor-imposed stipulations that the funds be maintained permanently by the College. Generally, the donors of such assets permit the College to use all or part of the income earned on the assets. Such assets primarily include the College's permanent general and scholarship endowments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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. Accordingly, actual results could differ from those estimates.

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, except for investments purchased with endowment assets, which are classified as long-term investments.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the College.

Unemployment Compensation

The College chose to be self-insured for unemployment compensation purposes. Any unemployment claims filed will be required to be paid by the College.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Income taxes

The College qualifies as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the College qualifies for the charitable contribution deduction and has been classified by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Financial Accounting Standards Board issued ASC 740-10, which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The College believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The College's Federal Returns of Organization Exempt From Income Tax (Form 990) are subject to examination by the IRS, generally for three years after they were filed.

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Equipment, buildings, and improvements are recorded at cost or at estimated fair market value at date of gift if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (5 to 40 years). Depreciation expense for the years ended June 30, 2016 and 2015 was $260,351 and $262,471, respectively.

The College capitalizes all expenditures for equipment, buildings, and improvements when the purchase price is greater than $2,000 and have a useful life of more than 2 years. In addition, items that are part of a group purchase with a useful life greater than 2 years may also be capitalized even though individually the items may fall under the $2,000 threshold.

Investments

Investments in marketable equity and debt securities are stated at published market quotations. Investments in certificates of deposit or money market accounts are stated at cost, which approximates fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with investments, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statement of financial position.

Dividends and interest earned on investments are recorded on the accrual basis.

Revenue Recognition

Revenue from tuition and fees is reported in the fiscal year in which the related academic services are rendered.

Advertising

The College follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was $172,272 and $117,828 for the years ended June 30, 2016 and 2015, respectively.

Auxiliary Enterprise

The College's auxiliary enterprise exists primarily to furnish goods and services to students. The College's auxiliary enterprise consists of the College housing, bookstore, and cafeteria. The majority of textbooks are purchased by students online. Auxiliary enterprise revenues and expenses are reported in the statement of activities in unrestricted net assets.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and unconditional promises to give to be received in less than one year approximate fair value because of the short maturity of those financial instruments. The fair value of unconditional promises to give to be received in more than one year is determined based on future cash flows discounted at 3.25%.

The College's financial instruments are summarized as follows:

	Carrying Amount	Fair Value
Financial assets:		
June 30, 2016		
Cash	$ 8,652,390	$ 8,652,390
Unconditional promises to give, net	6,675	6,675
June 30, 2015		
Cash	$ 6,737,618	$ 6,737,618
Unconditional promises to give, net	194,375	194,375

NOTE B - ACCOUNTS RECEIVABLE

The majority of the College's accounts receivable are due from students of the College for tuition and fees and are non-interest bearing. Credit is extended based on evaluation of a student's financial condition and collateral is not required. Student accounts receivables are stated at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history, and the individual student's current ability to pay its obligation to the College.

Accounts receivable consists of the following at June 30:	2016	2015
Student accounts receivable	$ 81,741	$ 102,455
Other accounts receivable	37,411	18,128
Allowance for doubtful accounts - student accounts receivable	(81,741)	(99,955)
Net accounts receivable	$ 37,411	$ 20,628

Included in other accounts receivable is $24,412 and $0 due from the Dominican Campus at June 30, 2016 and 2015, respectively.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises for which payment has not been received are included in the financial statements as pledges receivable and revenue in the appropriate net asset classification. The College has discounted long-term pledges to their estimated net present value, using a discount rate of 3.25%.

NOTE C - UNCONDITIONAL PROMISES TO GIVE (continued)

Temporarily restricted promises to give expected to be collected in:	2016	2015
Less than one year	$ 2,883	$ 250,500
One to five years	6,000	500
	8,883	251,000
Less allowance for uncollectible promises to give	(1,700)	(50,200)
Less discount on promises to give	(508)	(6,425)
Net unconditional promises to give	$ 6,675	$ 194,375

The College has one unconditional promise to give which totals 90% and 99% of the unpaid balance as of June 30, 2016 and 2015, respectively.

Subsequent to year end the College received a conditional promise to give $1,000,000 to support the capital campaign.

NOTE D - COMMUNITY FOUNDATION FUND

The College is the beneficiary of a fund created by a donor, the assets of which are not in the possession of the College. The Community Foundation has ultimate authority and control over the fund. The donor suggests that the return on the fund as determined under The Foundation's Total Return Concept and Spending Policy be paid to the College no less often than annually. In the event that Aquinas College ceases to exist or discontinues its provision of training for an undergraduate degree in education, the Foundation, should redirect the proceeds of this fund to the closest charitable program. The fair value at June 30, 2016 and 2015 of the fund is $816,328 and $887,804, respectively.

NOTE E - RETIREMENT PLAN

Aquinas College maintains a defined contribution 403(b) Plan (the Plan) for all eligible employees. All full time employees, upon completing one year of service, are eligible to participate in the Plan and be enrolled during quarterly entry points. Effective September 1, 2015, all full-time employees are eligible to participate in the 403(b) Plan regardless of years of service. There will be no matching percent until after one year of service. The Plan encompasses eligible employees of the affiliated entities of St. Cecilia Congregation, Saint Cecilia Academy, Overbrook School, Saint Rose and The Dominican Campus. Participants may make voluntary contributions up to the maximum amount allowable by law under the terms of the Plan. Aquinas College was required to make a mandatory matching contribution to the Plan of up to 1% for those eligible employees with 1 year of service, up to 2% for 2 years and up to 3% for those with 3 or more years of service. During the 2016 and 2015 fiscal years, $62,342 and $54,543 was deposited into participants accounts from unrestricted College resources, respectively. Deposits of $55,842 and $48,043 were made to the Plan with $6,500 and $6,500 sent directly to The Archdiocese of Philadelphia Plan on behalf of an eligible employee for fiscal years 2016 and 2015, respectively. The Plan is a Non Electing Church Plan therefore, as defined under section 4(b)(2) of ERISA, exempts the Plan from ERISA Title 1 disclosure requirement.

NOTE F - CONTRIBUTED SERVICES

For the fiscal years ended June 30, 2016 and 2015, the services contributed to the College by the religious members of the faculty and others had a fair value of $530,075 and $533,341, respectively. The calculation of contributed services is based on comparable compensation obtained from surveys of area schools less actual cash stipends paid to the religious members of the College.

NOTE G - CONCENTRATION OF CREDIT RISK

The College maintains its operating cash balances in various financial institutions and brokerage accounts. The College shares a common operating account with other schools controlled by the St. Cecilia Congregation. Some account balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2016 and 2015, the College's uninsured cash balances total $8,929,786 and $4,709,373, respectively.

Promises to give have concentrations of credit risk as they are due from individuals and organizations primarily from Tennessee.

NOTE H - INVESTMENTS

Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the Statement of Financial Position. Gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investments in stocks and bonds, which are listed on national securities exchanges, quoted on NASDAQ or on the over-the-counter market are valued at the last reported sales price, or in the absence of a recorded sale, at the value between the most recent bid and asked prices. Investments without readily determinable fair values are carried at estimated fair value. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations.

FASB ASC 820-10 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market prices observability used in measuring fair value.

This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level I - Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level II input could result in the Level II measurement becoming a Level III measurement.

Level III - Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

NOTE H - INVESTMENTS (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following is the fair value measurement of investments measured on a recurring basis at June 30, 2016 and 2015:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)
June 30, 2016		
Cash	$ 139,891	$ 139,891
Fixed Income	1,635,827	1,635,827
Mutual Funds	3,645,754	3,645,754
Total Assets	$ 5,421,472	$ 5,421,472
June 30, 2015		
Cash	$ 434,899	$ 434,899
Fixed Income	10,618,575	10,618,575
Mutual Funds	5,437,502	5,437,502
Total Assets	$ 16,490,976	$ 16,490,976

Investments have been allocated to the net asset classification for presentation in the statements of financial position. Investments consist of the following as of June 30, 2016 and 2015:

	2016 Fair Value	2015 Fair Value
Unrestricted	$ 384,605	$ 7,016,976
Temporarily Restricted	1,803,001	6,277,960
Permanently Restricted	3,233,866	3,196,040
	$ 5,421,472	$ 16,490,976

Investment income, net is composed of the following:

	2016	2015
Unrealized gains (losses) on marketable securities	$ (4,556,797)	$ 336,882
Realized gains (losses) on marketable securities	4,263,981	143
Dividends and interest income	344,355	344,353
Investment fees	(4,399)	-
	$ 47,140	$ 681,378

The College shares common investment accounts with other schools controlled by the St. Cecilia Congregation pooled together into a unifund. Realized and unrealized gains and losses from securities are allocated quarterly to the unifund. The College separated its investments in the unifund from the other schools during the year ended June 30, 2016.

NOTE I - OPERATING LEASE OBLIGATIONS

The College has a lease agreement for copier equipment. The lease currently calls for monthly rental payments with additional charges per copy.

For the years ended June 30, 2016 and 2015, the total copier expense was approximately $30,323 and $44,129, respectively.

Future minimum lease payments are as follows:

Years Ending June 30,		Amount
2017	$	37,488
2018		29,703
2019		6,348
2020		1,587
	$	75,126

The College has a lease for student housing with a monthly lease payment of $8,665 and expiring on July 31, 2017. The lease calls for an increase of two and one-half percent on August 1, 2015 and each August 1 thereafter. For the years ended June 30, 2016 and 2015, the total lease expense was approximately $100,318 and $108,751, respectively.

Future minimum payments are as follows:

Years Ending June 30,		Amount
2017	$	109,249
2018		9,103
	$	118,352

On December 1, 2014, the College entered into an agreement to lease 8,122 square feet for a simulation lab. The lease calls for base rent of $1 for the entire term. The lease expires on November 30, 2016 with two options to renew the lease for one year. Estimate of the fair value of the lease for the years ended June 30, 2016 and 2015 was approximately $171,211 and $99,874, respectively and is included in private gifts and grants.

The College entered into a facility use agreement for the Villaggio Betania, owned by the Dominican Sisters of St. Cecilia Congregation, in Bracciano, Italy for the purpose of a study abroad program at the current rate of 50 euros per guest per night. For the years ended June 30, 2016 and 2015 the total expense was approximately $79,099 and $0, respectively.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE J - OPERATING EXPENSES

Operating expenses, by natural classification, for the years ended June 30, 2016 and 2015 were:

	2016	2015
Salaries and Wages	$ 5,525,110	$ 5,670,685
Payroll Taxes and Benefits	955,962	908,719
Repairs and Maintenance	423,535	283,670
Supplies	394,694	374,803
Rental Fees	351,546	212,621
Depreciation	260,351	262,471
Travel and Entertainment	240,136	159,379
Contracted Services	222,655	249,368
Utilities	175,261	166,757
Advertising	172,272	117,828
Other	107,737	86,456
Refreshments	94,991	88,424
Security	67,672	79,664
Conferences and Speakers	65,958	39,249
Insurance	57,219	53,483
Recruiting	54,362	43,546
Membership Dues and Subscriptions	48,025	50,955
Legal and Professional	40,149	77,386
Testing Expenses	35,213	65,036
Other Fundraising Expenses	31,439	27,293
Online Computer Services	24,013	28,752
Accreditation	19,422	14,168
Postage	18,285	24,962
Graduation Expenses	17,022	17,873
Provision for Bad Debts	12,023	22,773
Bank Service Charges and Credit Card Fees	3,854	2,462
Total Expenses	$ 9,418,906	$ 9,128,783

NOTE K - RECLASSIFICATIONS

During the year ended June 30, 2014, the College received a bequest in the amount of $5,796,934 that was previously thought to be permanently restricted endowment. In 2016, the board of directors determined that there was insufficient evidence to conclude that the amount was subject to permanent restriction and that $1,598,614 was released from restrictions during the year ended June 30, 2015. Correcting this error decreased permanently restricted net assets by $5,796,934 and increased temporarily restricted net assets in the statement of financial position at December 31, 2015. Also related earnings on the previously thought permanently endowment accumulated in temporarily restricted endowment in the amount of $363,602 was reclassified from temporarily restricted endowments to unrestricted net assets. Prior-period financial statements have been restated for these changes.

NOTE L - RESTRICTIONS ON NET ASSETS

Unrestricted net assets at June 30, 2016 and 2015 consist of:

	2016	2015
Operations	$ 5,758,241	$ 2,376,393
Plant Assets	9,565,766	2,763,253
Quasi (Board Designated):		
Campaign	-	2,371,571
Scholarship Endowments	-	404,873
Sisters Education Endowment	-	4,663,755
	$ 15,324,007	$ 12,579,845

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes:

	2016	2015
Financial Aid	$ 2,848,934	$ 4,230,781
Scholarship Endowments	1,243,714	1,482,610
General Endowment	540,711	619,831
Time Restriction	-	193,613
Capital Campaign		
Nursing Simulation Lab	30,154	30,154
Adoration Chapel	500	30,000
General Campaign	7,039	3,424,995
Nursing Program	7,500	-
Study of Ethics	50,750	50,000
Catechetical Program	48,184	42,017
Other	31,501	26,501
	$ 4,808,987	$ 10,130,502

Permanently restricted net assets consist of the following at June 30, 2016 and 2015:

	2016	2015
General Endowment	$ 1,218,533	$ 1,218,433
Scholarship Endowments	2,015,333	1,977,607
	$ 3,233,866	$ 3,196,040

NOTE L - RESTRICTIONS ON NET ASSETS (continued)

Net assets released from restrictions during the years were comprised of the following:

	2016	2015
General Endowment	$ 84,516	$ 81,408
Financial Aid		
Scholarship Endowments	242,603	156,490
Other	1,380,131	1,604,463
Nursing Program	-	33,383
General Campaign	3,490,488	302,281
Nursing Simulation Lab	-	69,846
Adoration Chapel	30,000	1,750
Secondary Licensure	-	500
Catechetical Program	-	502
Time Restriction	250,000	250,000
Other	37,264	8,587
	$ 5,515,002	$ 2,509,210

NOTE M - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment - at cost, less accumulated depreciation:

	2016	2015
Buildings	$ 3,935,895	$ 3,625,729
Buildings and Land Improvements	938,910	867,279
Construction in Progress	8,986,988	463,466
Equipment and Furnishings	1,599,903	1,522,432
Library	707,139	707,139
	16,168,835	7,186,045
Less: Accumulated Depreciation	4,597,623	4,422,792
	$ 11,571,212	$ 2,763,253

Legal title in all land occupied by the College is vested in St. Cecilia Congregation.

The College has started construction of a new dorm and included in Construction in Progress is about $8,727,681 and $235,227 related to this at June 30, 2016 and 2015, respectively. Included in accounts payable at June 30, 2016 was $1,982,762 in unpaid construction costs. The College estimates an additional $3.33 million will be needed to finish the construction already in progress.

NOTE N - SCHOLARSHIP ALLOWANCE

Scholarship allowances by classification, for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Pell Grants	$ 456,908	$ 589,549
Supplemental Education Opportunity Grants	19,019	21,435
Scholarships - Dominican Sisters	641,417	833,528
- Other	1,110,039	1,071,846
	$ 2,227,383	$ 2,516,358

NOTE O - CONCENTRATION OF CONTRIBUTIONS

The College received in the years ended June 30, 2016 and 2015 approximately 18% and 13% of its unrestricted revenues and gains from private gifts and grants, respectively. A change in the amount of gifts and grants received would ultimately affect operating results.

NOTE P - GOVERNMENT GRANTS AND OTHER PROGRAMS OF STUDENT FINANCIAL ASSISTANCE

Federal financial aid by classification for the year ended June 30, 2016 is as follows:

	FSEOG	FWS	PELL	TOTAL
Government Funds Received	$ 19,019	$ 26,060	$ 456,909	$ 501,988
Institutional Match	6,340	8,687	-	15,027
Administrative Cost Allowance	-	-	-	-
Student Financial Awards	$ 25,359	$ 34,747	$ 456,909	$ 517,015

Federal financial aid by classification for the year ended June 30, 2015 is as follows:

	FSEOG	FWS	PELL	TOTAL
Government Funds Received	$ 21,435	$ 30,138	$ 589,549	$ 641,122
Institutional Match	7,145	10,046	-	17,191
Administrative Cost Allowance	-	-	-	-
Student Financial Awards	$ 28,580	$ 40,184	$ 589,549	$ 658,313

The College received 7.6% and 8.3% of its total unrestricted revenues from federal financial aid programs in the years ended June 30, 2016 and 2015, respectively.

NOTE Q - RELATED PARTY

The Dominican Sisters of St. Cecilia Congregation are a Catholic pontifical congregation located in Nashville, Tennessee, founded in 1860. The Congregation owns and administers various academic institutions across the United States providing students an education based in Christian principles and tradition. In addition, the Congregation owns and operates 7 convents located in Tennessee, Alabama, Washington D.C., Italy, and The Netherlands. The St. Cecilia Congregation owns and operates certain educational institutions and convents which it both controls and has an economic interest. These financial statements only include the activities of the College.

NOTE Q - RELATED PARTY (continued)

The St. Cecilia Congregation operates three schools (Overbrook School, St. Cecilia Academy and Aquinas College) located on the Dominican Campus. The Congregation has determined that certain administration functions should be shared by all three schools. Aquinas College paid $554,487 and $529,872 during the years ended June 30, 2016 and 2015 for contracted services, landscaping, waste removal, utilities and bank fees, respectively.

In accounts payable is $47,967 and $0 due to related schools at June 30, 2016 and 2015, respectively.

NOTE R - FUNDRAISING COSTS

Fundraising costs incurred by the College in 2016 and 2015 totaled $317,248 and $339,745, respectively. These costs relate primarily to planned giving, annual fund, development, and the capital campaign.

The College has started a campaign to raise funds based on the Aquinas College Strategic Plan. As a result of the strategic planning process the College has identified the need for funds for a residence hall, a new academic building, renovation of the existing building, and to increase the endowment.

NOTE S - LINE OF CREDIT

The College has a $3,000,000 uncommitted line of credit with JP Morgan set to expire on February 17, 2018. Borrowings under the agreement are collateralized by unrestricted investments. Borrowing on the line will be limited to a percentage (depending on the type of investment) of available unrestricted investments held at JP Morgan. The balance outstanding on the line of credit at June 30, 2016 was $0. Interest on the drawn amount under the line is calculated at LIBOR plus 1.15%. As of June 30, 2016 the borrowing rate would have been 1.58%.

NOTE T - ENDOWMENT

The College's endowment consists of approximately 31 individual funds, including 28 donor-restricted funds and 3 funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Tennessee, 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 College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The net accumulated appreciation 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 College in a manner consistent with the standard of prudence described in UPMIFA.

NOTE T - ENDOWMENT (continued)

In accordance with UPMIFA, the College 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 purposes of the College 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 available to the College
(7) The investment policies of the College

The College's endowments by net asset class at June 30, 2016, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board designated endowment funds are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted general endowment funds	$ -	$ 540,711	$ 1,218,533	$ 1,759,244
Donor-restricted scholarship endowment funds	-	1,243,714	2,015,333	3,259,047
Total funds	$ -	$ 1,784,425	$ 3,233,866	$ 5,018,291

The College's endowments by net asset class at June 30, 2015, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board designated endowment funds are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted general endowment funds	$ -	$ 619,831	$ 1,218,433	$ 1,838,264
Donor-restricted scholarship endowment funds	-	1,482,610	1,977,607	3,460,217
Board designated sisters education endowment funds	4,663,755	-	-	4,663,755
Board designated scholarship endowment funds	404,873	-	-	404,873
Total funds	$ 5,068,628	$ 2,102,441	$ 3,196,040	$ 10,367,109

NOTE T - ENDOWMENT (continued)

Changes in endowment assets for the years ended June 30, 2015 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, June 30, 2014	$ 5,083,319	$ 2,246,658	$ 8,756,126	$ 16,086,103
Reclassification	-	(363,602)	(5,796,934)	(6,160,536)
Dividend and interest income (during year)	101,207	225,327	-	326,534
Net appreciation (depreciation) (realized and unrealized)	104,954	231,956	-	336,910
Contributions and additions to endowments	-	-	236,848	236,848
Appropriation of endowment assets for expenditure	(218,022)	(81,408)	-	(299,430)
Appropriation of scholarship endowment assets for expenditure	(2,830)	(156,490)	-	(159,320)
Endowment assets, June 30, 2015	5,068,628	2,102,441	3,196,040	10,367,109
Reclassification	(4,913,435)	(800)	-	(4,914,235)
Dividend and interest income (during year)	101,197	105,062	-	206,259
Net appreciation (depreciation) (realized and unrealized)	(87,194)	(95,159)	-	(182,353)
Contributions and additions to endowments	-	-	37,826	37,826
Appropriation of endowment assets for expenditure	(169,196)	(84,516)	-	(253,712)
Appropriation of scholarship endowment assets for expenditure	-	(242,603)	-	(242,603)
Endowment assets, June 30, 2016	$ -	$ 1,784,425	$ 3,233,866	$ 5,018,291

See Note K regarding the Reclassifications of Endowment net assets during the year ended June 30, 2015.

Permanently Restricted Net Assets	2016	2015
(1) The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$ 3,233,866	$ 3,196,040
Total endowment funds classified as permanently restricted net assets	$ 3,233,866	$ 3,196,040

NOTE T - ENDOWMENT (continued)	2016	2015
Temporarily Restricted Net Assets		
(1) Term endowment funds	$ -	$ -
(2) The portion of perpetual endowment funds subject to a time restriction:		
Without purpose restrictions	540,711	619,831
With purpose restrictions	1,243,714	1,482,610
Total endowment funds classified as temporarily restricted net assets	$ 1,784,425	$ 2,102,441

Endowment and Other Funds with Deficiencies

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

Endowment - Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that at least meets the price and yield results of the S&P 500 index for Equity Funds and Barclays Capital Aggregate Bond index for Bond Funds while assuming a low level of investment risk. The College expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that normally places an emphasis on equity-based and income-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy - General Endowment

On June 20, 2014 the Board changed the policy for its general endowment spending to be 5 percent based upon a three year average of the previous calendar year end market values. Accordingly, over the long term, the College expects the current spending policy to allow its general endowment to grow at least 2 percent annually. In establishing this policy, the College considered the long-term expected return on its general endowment. This is consistent with the College's objective to maintain the purchasing power of the general endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Under the College's spending policy on the general endowment and quasi-endowment, the Board approved $253,712 and $299,430 to be applied to the operating budget for fiscal years 2016 and 2015, respectively.

NOTE T - ENDOWMENT (continued)

The College also has a policy of transferring from its board-designated endowment funds an amount equal to the operating loss, if any, of the previous fiscal year. In fiscal year 2015 no such withdrawals were needed. In fiscal year 2016 all of the remaining board-designated endowment funds were transferred to operations for construction and operations.

Endowment Spending Policy - Scholarship Endowment

The College has adopted a policy of appropriating for distribution each year a maximum of 5 percent of the scholarship endowment fund's average fair value over the 3 preceding calendar year end fund values. In establishing this policy, the College considered the long-term expected return on its scholarship endowments. Accordingly, over the long term, the College expects the current spending policy to allow its scholarship endowment to grow at an average of at least 2 percent annually. This is consistent with the College's objective to maintain the purchasing power of the scholarship endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The College appropriated $242,603 and $159,320 from the scholarship endowments for the fiscal years 2016 and 2015, respectively.

NOTE U - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 30, 2016, which is the date the financial statements were available to be issued.

AQUINAS COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number		Federal Expenditures
U.S. Department of Education:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grant Program	84.007	$	19,019
Federal Direct Student Loans	84.268		1,795,037
ARRA - Federal Work-Study Program	84.033		26,060
ARRA - Federal Pell Grant Program	84.063		456,909
Total Expenditures of Federal Awards		$	2,297,025

See accompanying notes to schedule of expenditures of federal awards

AQUINAS COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Aquinas College under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Aquinas College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Aquinas College.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A0122, Cost Principles for Non-profit Organizations wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C—INDIRECT COST RATE

Aquinas College has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

AQUINAS COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENT AUDIT

Prior year findings :

2015-01 Accounts Receivable

Condition: Accounts receivable had the following conditions:

There was a lack of separation of duties. The accounts receivable clerk prepared the daily deposit slip and posted payments to customer accounts.

Status: Separation of duties has been implemented. No similar findings were noted in the 2016 audit.

2015-02 Payroll

Condition: Two employees were paid without a signed salary agreement showing the pay rate.

Status: No issues noted during current year and procedures are currently being followed.

2015-03 Raises

Condition: Not all raises went through the business office prior to approval.

Status: No issues noted during current year. Raises were either written into contracts or on raise approval letters.

2015-04 Financial Aid

Condition: Financial aid scholarships were not reconciled correctly between CAMS and MIP.

Status: No issues noted during current year and procedures are currently being followed.

2015-05 Donations

Condition: An in kind donation of $99,874 was not recorded .

Status: No issues noted during the current year and procedures are currently being followed.

GRANNIS
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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 Directors
Aquinas College
Nashville, Tennessee

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 Aquinas College (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aquinas College'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 Aquinas College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Aquinas College'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 the 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aquinas College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-01 and 2016-02.

Aquinas College's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jannis & Associates, P.C.

Murfreesboro, Tennessee

September 30, 2016

GRANNIS & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Directors
Aquinas College
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Aquinas College'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 Aquinas College's major federal programs for the year ended June 30, 2016. Aquinas College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Aquinas College'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 Aquinas College'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 Aquinas College's compliance.

Opinion on Each Major Federal Program

In our opinion, Aquinas College 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, 2016.

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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 2016-03. Our opinion on each major federal program is not modified with respect to these matters.

Aquinas College's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs.

Aquinas College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Aquinas College 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 Aquinas College'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 Aquinas College'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 a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-03, that we consider to be a significant deficiency.

Aquinas College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Aquinas College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Grannis & Associates, P.C.

Murfreesboro, Tennessee
September 30, 2016

AQUINAS COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Aquinas College were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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* .
3. Two instances of noncompliance material to the financial statements of Aquinas College are disclosed in accordance with *Government Auditing Standards* .
4. One significant deficiency relating to the audit of the major federal award programs are reported in the report on compliance for each major program and on internal control over compliance required by the uniform guidance. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Aquinas College expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were: Federal Supplemental Educational Opportunity Grant Program (84.007), Federal Work-Study Program (84.033), Federal Pell Grant Program (84.063), Federal Direct Student Loans (84.268).
8. The threshold used for distinguishing between Type A and B programs was $750,000.
9. Aquinas College was determined to be a low-risk auditee.

FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENTS AUDIT
2016-01

Condition: Temporarily restricted net assets were overstated and unrestricted net assets were understated by $363,602 from the prior year earnings on the previously thought permanently restricted endowment that was reclassified during the year ended June 30, 2015.

Criteria: Net assets were not correctly classified as to restrictions.

Effect: Misstatement of financial statements.

Cause: Not understanding the nature of the restriction.

Recommendation: These funds should be reclassified.

Response: We concur with our auditors and will reclassify these funds.

2016-02

Condition: Unrecorded construction in progress and accounts payable of $342,029

Criteria: Invoices for construction in progress came in after the year end work was completed, therefore they were not recorded.

Effect: Misstatement of financial statements.

Cause: Invoices from the construction project are not received in a timely manner.

Recommendation: Record the additional construction in progress and accounts payable.

Response: We concur with our auditors' recommendation.

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF EDUCATION

2016-03 ARRA - Federal Work Study Program-CFDA No. 84.033

Condition: The school did not have a copy of a signed terms of employment on a student.

Criteria: Work study terms of employment specifying the student's employer, purpose of the student's job, duties and responsibilities, and job qualifications should be signed by both the student worker and the supervisor.

Effect: Noncompliance with document retention.

Cause: The Student Financial Aid (SFA) office did not properly file and keep the student's signed terms of employment.

Population and Sample Size: A sample of 2 students receiving Federal Work Study funds totaling $6,972 was selected for audit procedures from a population of 19 students receiving Federal Work Study funds totaling $26,060.

Recommendation: SFA office personnel should be sure to save terms of employment documentation.

Response: We concur with our auditors' findings and will retain the required documentation in the future.