

LDS BUSINESS COLLEGE

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REPORTS ON AUDITS OF THE FINANCIAL STATEMENTS  
for the years ended December 31, 2015 and 2014  
AND FEDERAL GRANT COMPLIANCE  
for the year ended December 31, 2015  
(As required by the Single Audit Act and OMB Uniform Guidance)

EIN: 87-0280678

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## **Independent Auditor's Report**

To the Board of Trustees of LDS Business College:

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

We have audited the accompanying financial statements of LDS Business College ("LDSBC"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and of 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to LDSBC'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 LDSBC'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 LDS Business College as of December 31, 2015 and 2014, 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 for the year ended December 31, 2015 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2016 on our consideration of LDSBC'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 for the year ended December 31, 2015. 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 LDSBC's internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*

April 29, 2016

LDS BUSINESS COLLEGE  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2015 and 2014

(in thousands of dollars)

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Cash	\$ 2,043	\$ 2,438
Accounts receivable, net of allowances of \$28 and \$38	1,191	1,041
Inventories, prepaid expenses and other assets	351	373
Investments	24,639	23,102
Beneficial interest in trusts	679	702
Land, buildings and equipment, net	2,077	2,039
<b>Total Assets</b>	<b>\$ 30,980</b>	<b>\$ 29,695</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable, accrued liabilities and deposits	\$ 1,774	\$ 1,434
Deferred revenue	432	343
Retirement and postretirement benefits obligation	4,115	3,893
<b>Total Liabilities</b>	<b>6,321</b>	<b>5,670</b>
<b>Net Assets</b>		
Unrestricted		
Designated for specific purposes	8,325	8,422
Invested in land, buildings and equipment	2,077	2,039
Total unrestricted	10,402	10,461
Temporarily restricted		
Scholarships and grants	4,534	4,553
Beneficial interest in trusts	545	573
Total temporarily restricted	5,079	5,126
Permanently restricted		
True endowment	9,044	8,309
Beneficial interest in trusts	134	129
Total permanently restricted	9,178	8,438
<b>Total Net Assets</b>	<b>24,659</b>	<b>24,025</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 30,980</b>	<b>\$ 29,695</b>

See notes to financial statements

# LDS BUSINESS COLLEGE

## STATEMENT OF ACTIVITIES for the year ended December 31, 2015

(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Other Support</b>				
Tuition and fees	\$ 7,066			\$ 7,066
Less scholarships and grants	1,206			1,206
Net tuition and fees	5,860			5,860
Appropriations from a Church affiliate	12,510			12,510
Contributions and grants	407	\$ 350	\$ 739	1,496
Investment income (loss), net	(128)	(73)	1	(200)
Auxiliary enterprises	1,377			1,377
Other	97			97
Net assets released from restrictions	324	(324)		-
<b>Total Revenues and Other Support</b>	<b>20,447</b>	<b>(47)</b>	<b>740</b>	<b>21,140</b>
<b>Expenses</b>				
Instruction and academic support	10,524			10,524
General and administrative	5,376			5,376
Student support	3,232			3,232
Auxiliary enterprises	1,408			1,408
<b>Total Expenses</b>	<b>20,540</b>			<b>20,540</b>
<b>Increase in Net Assets before Retirement and Postretirement Plans Adjustment</b>	<b>(93)</b>	<b>(47)</b>	<b>740</b>	<b>600</b>
<b>Retirement and Postretirement Plans Adjustment</b>	<b>34</b>			<b>34</b>
<b>Increase (decrease) in Net Assets</b>	<b>(59)</b>	<b>(47)</b>	<b>740</b>	<b>634</b>
<b>Net Assets Beginning of Year</b>	<b>10,461</b>	<b>5,126</b>	<b>8,438</b>	<b>24,025</b>
<b>Net Assets End of Year</b>	<b>\$ 10,402</b>	<b>\$ 5,079</b>	<b>\$ 9,178</b>	<b>\$ 24,659</b>

See notes to financial statements

# LDS BUSINESS COLLEGE

## STATEMENT OF ACTIVITIES for the year ended December 31, 2014

(in thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Other Support</b>				
Tuition and fees	\$ 6,434			\$ 6,434
Less scholarships and grants	931			931
Net tuition and fees	5,503			5,503
Appropriations from a Church affiliate	10,614			10,614
Contributions and grants	377	\$ 327	\$ 654	1,358
Investment income, net	801	678	229	1,708
Auxiliary enterprises	1,435			1,435
Other	81			81
Net assets released from restrictions	470	(470)		-
<b>Total Revenues and Other Support</b>	<u>19,281</u>	<u>535</u>	<u>883</u>	<u>20,699</u>
<b>Expenses</b>				
Instruction and academic support	9,797			9,797
General and administrative	4,525			4,525
Student support	2,887			2,887
Auxiliary enterprises	1,431			1,431
<b>Total Expenses</b>	<u>18,640</u>			<u>18,640</u>
<b>Increase in Net Assets before Retirement and Postretirement Plans Adjustment</b>	641	535	883	2,059
<b>Retirement and Postretirement Plans Adjustment</b>	<u>(2,485)</u>			<u>(2,485)</u>
<b>Increase (decrease) in Net Assets</b>	(1,844)	535	883	(426)
<b>Net Assets Beginning of Year</b>	12,305	4,591	7,555	24,451
<b>Net Assets End of Year</b>	<u>\$ 10,461</u>	<u>\$ 5,126</u>	<u>\$ 8,438</u>	<u>\$ 24,025</u>

See notes to financial statements

LDS BUSINESS COLLEGE  
STATEMENTS OF CASH FLOWS  
for the years ended December 31, 2015 and 2014

(in thousands of dollars)

<b>Cash Flows from Operating Activities</b>	<b>2015</b>	<b>2014</b>
Increase (decrease) in net assets	\$ 634	\$ (426)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	756	743
Loss on disposal of land, buildings and equipment	20	1
Loss (gain) on investments	793	(1,162)
Contributions restricted for investment in permanently restricted assets	(739)	(654)
Income from investments restricted for reinvestment in permanently restricted assets	(1)	(229)
Increase (decrease) due to changes in operating assets and liabilities:		
Accounts receivable	(149)	(212)
Inventories, prepaid expenses and other assets	21	30
Beneficial interest in trusts	23	(80)
Accounts payable, accrued liabilities and deposits	305	72
Deferred revenue	90	(8)
Retirement and postretirement benefits obligation	222	2,509
Net cash provided by operating activities	<u>1,975</u>	<u>584</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(12,243)	(1,672)
Sale of investments	9,913	425
Purchase of land, buildings and equipment	<u>(780)</u>	<u>(502)</u>
Net cash used by investing activities	<u>(3,110)</u>	<u>(1,749)</u>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for investment in permanently restricted assets	739	654
Income from investments restricted for reinvestment in permanently restricted assets	<u>1</u>	<u>229</u>
Net cash provided by financing activities	<u>740</u>	<u>883</u>
Net decrease in cash	(395)	(282)
Cash, beginning of year	<u>2,438</u>	<u>2,720</u>
Cash, end of year	<u><u>\$ 2,043</u></u>	<u><u>\$ 2,438</u></u>
<b>Supplemental Data</b>		
Purchases of land, buildings and equipment in accounts payable	\$ 66	\$ 31

See notes to financial statements



LDS BUSINESS COLLEGE  
NOTES TO FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LDS Business College (the College), located in Salt Lake City, Utah, is a non-profit corporation affiliated with The Church of Jesus Christ of Latter-day Saints (the Church).

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The underlying accounting of the College is maintained in accordance with the principles of fund accounting. These principles require that the resources of the College be classified into groups or funds in accordance with activities or objectives specified for the resources.

College net assets are classified into three categories: Unrestricted, Temporarily Restricted and Permanently Restricted. These categories are determined based on the existence or absence of donor-imposed restrictions upon resources provided to the College. Unrestricted net assets are available for a variety of purposes and have no donor-imposed restrictions or all restrictions have been met. Temporarily restricted net assets include funds with stipulated time or purpose restrictions. When those restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the College reports the contribution as unrestricted. Permanently restricted net assets have restrictions that require them to be maintained in perpetuity.

Cash

Cash includes cash on hand, cash in depository institutions and cash in an interest bearing cash management account maintained with a Church affiliate (Note 5) that is available on demand and is not covered by federal depository insurance.

Inventories

Inventories include retail store inventory with textbooks stated at the weighted average method and school supplies stated at the lower of cost (first-in, first-out method) or market.

Investments

Investments with readily determinable fair values are carried at fair value. Investments that have no readily determinable fair value are carried at either original cost or estimated fair value at the date of donation.

## LDS BUSINESS COLLEGE

### NOTES TO FINANCIAL STATEMENTS

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

##### Beneficial Interest in Trusts

The College is named as a beneficiary of certain irrevocable trusts. Revenues and assets included in the financial statements are based on the net present value of expected proceeds from those trusts.

##### Land, Buildings and Equipment

Land, buildings and equipment are stated at acquisition cost or at estimated fair value at time of donation. Gifts of long-lived assets are treated as unrestricted support unless explicit donor restrictions specify otherwise. Depreciation is computed using the straight-line method and the following useful lives:

Buildings	40 years
Improvements	5-30 years
Furniture, fixtures and equipment	3-20 years
Library books	5-10 years

##### Collections

The College maintains several collections, which are not reported for financial statement purposes. These collections include works of art, natural history (living and artifacts) and other similar objects. Collections are held for public exhibition, education and research in furtherance of the College's goal to provide public service. Proceeds from the sale of collection items are held and used to acquire other collection items that are expensed at the time of purchase. Various College departments have the responsibility to control, preserve and protect these collections.

##### Revenue Recognition

Appropriations from a Church affiliate (Note 5) are recorded as revenue when received. Tuition, student fees and other revenues are recognized as income in the period earned. Amounts received but not yet earned are recorded as deferred revenue.

Contributions are recorded at fair value at the time gifts are received. Unconditional promises to give to the College are recognized when the promise is formally acknowledged. Conditional promises to give to the College are recognized when the conditions on which they depend are substantially met.

## LDS BUSINESS COLLEGE

### NOTES TO FINANCIAL STATEMENTS

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

##### Fair Value Measurements

Certain financial instruments and retirement and postretirement plan assets are carried at fair value, as discussed in Notes 7 and 8, respectively.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on assumptions that market participants would use, including a consideration of non-performance risk.

In determining fair value, the College uses various valuation techniques and prioritizes the use of observable inputs. The availability of observable inputs varies from instrument to instrument and depends on a variety of factors, including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. Equity and fixed income portfolio investments are valued at fair value, based upon the underlying investments, using the net asset values provided by a Church affiliate. Equity securities are valued at the closing price reported on the active market on which the securities are traded. Fixed income securities are generally valued using pricing models maximizing the use of observable inputs. Real estate and limited partnership investments are valued at fair value, based upon the underlying investments, using either the published net asset value per unit or the net asset values provided by the general partners, updated as necessary using analytical tools to benchmark returns, appraisals, public market data and/or inquiry of the general partners.

The College assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical assets or liabilities in an active market. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

Transfers between levels occur when there is a change in the observability of significant inputs. This may occur between Level 1 and Level 2 when the availability of quoted prices changes, or when market activity significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with observable market data. The College's policy is to recognize all transfers at the end of each reporting period.

## LDS BUSINESS COLLEGE

### NOTES TO FINANCIAL STATEMENTS

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

##### Accounting for Retirement and Postretirement Plans

The College recognizes the over/under funded status of retirement and postretirement plans in the statement of financial position. For retirement plans, funding status is measured as the difference between the fair value of plan assets and the projected benefit obligation. For postretirement plans, funding status is measured as the difference between the fair value of plan assets and the accumulated postretirement benefit obligation. The College also recognizes all previously unrecognized actuarial gains and losses, prior service cost, and transition liability in unrestricted net assets and provides all required additional disclosure.

##### Income Tax Status

The College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

##### 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LDS BUSINESS COLLEGE  
NOTES TO FINANCIAL STATEMENTS

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2. INVESTMENTS

Investments primarily consist of unitized interests in investment pools managed by a Church affiliate (Note 5). Investments as of December 31, 2015 and 2014 are as follows (in thousands of dollars):

	<u>2015</u>	<u>2014</u>
Investments at fair value:		
Equity portfolios, domestic	\$ 11,774	\$ 12,744
Equity portfolios, international	2,927	1,310
Fixed income portfolios, domestic	9,938	9,048
Fixed income portfolios, international	-	-
Total investments at fair value	<u>\$ 24,639</u>	<u>\$ 23,102</u>

For the years ended December 31, 2015 and 2014, net investment income includes (in thousands of dollars):

	<u>2015</u>	<u>2014</u>
Dividend and interest income from investments	\$ 593	\$ 546
Net gain (loss) on investments carried at fair value	<u>(793)</u>	<u>1,162</u>
Total investment income (loss), net	<u>\$ (200)</u>	<u>\$ 1,708</u>

LDS BUSINESS COLLEGE  
NOTES TO FINANCIAL STATEMENTS

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3. BENEFICIAL INTEREST IN TRUSTS

The College is named as a beneficiary or remainderman for a number of irrevocable charitable remainder trusts. Most of these trusts are administered by a Church affiliate (Note 5). Expected receipts from these trusts (fair value determined using discount rates ranging from approximately 2.5 to 4.25 percent) as of December 31, 2015 and 2014, are as follows (in thousands of dollars):

	<u>2015</u>	<u>2014</u>
Less than one year	\$ -	\$ -
One to five years	-	-
More than five years	<u>679</u>	<u>702</u>
Total beneficial interest in trusts	<u>\$ 679</u>	<u>\$ 702</u>

4. LAND, BUILDINGS AND EQUIPMENT

As of December 31, 2015 and 2014, land, buildings and equipment included (in thousands of dollars):

	<u>2015</u>	<u>2014</u>
Land, buildings and improvements	\$ 300	\$ 300
Furniture, fixtures and equipment	5,883	5,912
Library books and other	<u>224</u>	<u>370</u>
	6,407	6,582
Less accumulated depreciation	<u>4,330</u>	<u>4,543</u>
Total land, buildings and equipment, net	<u>\$ 2,077</u>	<u>\$ 2,039</u>

LDS BUSINESS COLLEGE  
NOTES TO FINANCIAL STATEMENTS

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5. RELATED PARTIES

The College operates under the direction of a Board of Trustees (the Board) composed of General Authorities and other Officers of the Church. The College is provided certain accounting and other management services and is also included in the property and liability insurance programs of Church affiliates, all at no cost to the College.

The following table reflects balances due to and from or administered through Church affiliates, and activities with or processed by Church affiliates, included in the financial statements as of and for the years ended December 31, 2015 and 2014 (in thousands of dollars):

	<u>2015</u>	<u>2014</u>
Cash	\$ 2,033	\$ 2,428
Accounts receivable	1,088	895
Investments	24,639	23,102
Beneficial interest in trusts	679	702
Accounts payable, accrued liabilities and deposits	367	345
Retirement and postretirement benefits obligation	4,115	3,893
Appropriations:		
Operations	6,705	5,213
Capital expenditures	1,115	739
Use of facilities	4,690	4,662
Contributions processed from donors	1,460	1,345
Investment income (loss), net	(200)	1,708
Other revenue - interest	16	12
Auxiliary revenue	404	402
Expenses:		
Benefit plans	2,442	2,072
Facility	5,000	4,955
Religious instruction	1,144	1,143
Auxiliary	408	406
Multimedia projects	107	54
Contributed Services	213	-

## LDS BUSINESS COLLEGE

### NOTES TO FINANCIAL STATEMENTS

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#### 6. ENDOWMENTS

The College's endowment fund consists of individual donor-restricted endowment funds and funds designated by the Board to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board has interpreted the adopted Utah "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the College and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the College
- The investment policies of the College

Where the Board designates unrestricted funds to function as endowments they are classified as unrestricted net assets. Where the Board designates donor-restricted non-endowment funds to function as endowments they are classified as temporarily restricted net assets.



LDS BUSINESS COLLEGE  
NOTES TO FINANCIAL STATEMENTS

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6. ENDOWMENTS, Continued

The following tables present the College's endowment composition, changes, and net asset classifications as of and for the indicated years (in thousands of dollars):

**Endowment Net Asset Composition by Type of Fund as of December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,778	\$ 9,044	\$ 10,822
Board-designated endowment funds	4,244	216	-	4,460
Total endowment funds	<u>\$ 4,244</u>	<u>\$ 1,994</u>	<u>\$ 9,044</u>	<u>\$ 15,282</u>

**Changes in Endowment Net Assets for the year ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ 4,308	\$ 2,325	\$ 8,309	\$ 14,942
Investment income (loss), net	(31)	(56)	1	(86)
Contributions	-	-	734	734
Appropriation of endowment assets for expenditure	(33)	(275)	-	(308)
Endowment net assets, end of year	<u>\$ 4,244</u>	<u>\$ 1,994</u>	<u>\$ 9,044</u>	<u>\$ 15,282</u>

LDS BUSINESS COLLEGE  
NOTES TO FINANCIAL STATEMENTS

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6. ENDOWMENTS, Continued

**Endowment Net Asset Composition by Type of Fund as of December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,081	\$ 8,309	\$ 10,390
Board-designated endowment funds	4,308	244	-	4,552
Total endowment funds	<u>\$ 4,308</u>	<u>\$ 2,325</u>	<u>\$ 8,309</u>	<u>\$ 14,942</u>

**Changes in Endowment Net Assets for the year ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 4,019	\$ 2,416	\$ 7,427	\$ 13,862
Investment income, net	329	524	229	1,082
Contributions	-	-	653	653
Appropriation of endowment assets for expenditure	(40)	(615)	-	(655)
Endowment net assets, end of year	<u>\$ 4,308</u>	<u>\$ 2,325</u>	<u>\$ 8,309</u>	<u>\$ 14,942</u>

LDS BUSINESS COLLEGE  
NOTES TO FINANCIAL STATEMENTS

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6. ENDOWMENTS, Continued

**Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)**

	<u>2015</u>	<u>2014</u>
<b>Permanently Restricted Net Assets</b>		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA	\$ 9,044	\$ 8,309
<b>Total endowment funds classified as permanently restricted net assets</b>	<u>\$ 9,044</u>	<u>\$ 8,309</u>
 <b>Temporarily Restricted Net Assets</b>		
Term endowment funds	\$ 1,662	\$ 2,182
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	-	-
With purpose restrictions	<u>332</u>	<u>143</u>
<b>Total endowment funds classified as temporarily restricted net assets</b>	<u>\$ 1,994</u>	<u>\$ 2,325</u>

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits associated with funds functioning as endowments, when they exist, are likewise classified as a reduction of unrestricted net assets.

Return Objectives and Risk Parameters

The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy endowment assets are invested in a manner that is intended to yield a long-term rate of return of approximately 8.0 percent annually, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

## LDS BUSINESS COLLEGE

### NOTES TO FINANCIAL STATEMENTS

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#### 6. ENDOWMENTS, Continued

##### Strategies Employed for Achieving Investment Objectives

To achieve 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 gains) and current yield (interest and dividends). The College targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

##### Relationship of Spending Policy to Investment Objectives

The College's Investment Committee (the Committee) determines the method to be used to appropriate endowment funds for expenditure. The appropriation amount is determined as of the end of the year, one year prior to when it becomes available for expenditure, and is approximately 5.0 percent of the preceding year's ending fair value. In establishing this method, the Committee considered the expected long-term rate of return on the investment of the College's endowment funds. Accordingly, over the long-term, the College expects the current spending policy to allow its endowment to grow at an average of 3.0 percent annually, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts. Depending upon market conditions and the needs and available resources of the College, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

# LDS BUSINESS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 7. FINANCIAL INSTRUMENTS AT FAIR VALUE

Certain financial instruments of the College are reported at fair value and are categorized into a three-level hierarchy based on the nature of the inputs to the valuation technique, as discussed in Note 1. The following tables present these financial instruments as of December 31, 2015 and 2014 (in thousands of dollars):

Fair Value Measurements as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equity portfolios, domestic	\$ -	\$ 11,774	\$ -	\$ 11,774
Equity portfolios, international	-	2,927	-	2,927
Fixed income portfolios, domestic	-	9,938	-	9,938
Fixed income portfolios, international	-	-	-	-
Total investments	-	24,639	-	24,639
Beneficial interest in trusts	-	-	679	679
Total assets carried at fair value	<u>\$ -</u>	<u>\$ 24,639</u>	<u>\$ 679</u>	<u>\$ 25,318</u>

Fair Value Measurements as of December 31, 2014				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equity portfolios, domestic	\$ -	\$ 12,744	\$ -	\$ 12,744
Equity portfolios, international	-	1,310	-	1,310
Fixed income portfolios, domestic	-	9,048	-	9,048
Fixed income portfolios, international	-	-	-	-
Total investments	-	23,102	-	23,102
Beneficial interest in trusts	-	-	702	702
Total assets carried at fair value	<u>\$ -</u>	<u>\$ 23,102</u>	<u>\$ 702</u>	<u>\$ 23,804</u>

LDS BUSINESS COLLEGE  
NOTES TO FINANCIAL STATEMENTS

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7. FINANCIAL INSTRUMENTS AT FAIR VALUE, Continued

The following tables summarize the changes in Level 3 financial instruments measured at fair value for the years ended December 31, 2015 and 2014 (in thousands of dollars):

	Fair Value Measurements Using Significant Unobservable Inputs	
	2015	2014
Level 3 financial instruments, beginning of year	\$ 702	\$ 622
Total gains (losses)	(23)	80
Purchases	-	-
Settlements	-	-
Transfers in (out) of Level 3	-	-
Level 3 financial instruments, end of year	<u>\$ 679</u>	<u>\$ 702</u>

The fair value of the beneficial interests in trusts is based upon an income approach. Significant inputs include the fair value of the trust assets, the discount rate, the annual amounts paid to the donor, and the estimated date of payout (Note 3).

LDS BUSINESS COLLEGE  
NOTES TO FINANCIAL STATEMENTS

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8. RETIREMENT AND POSTRETIREMENT PLANS

The College is a participating employer within a Master Retirement Plan administered by a Church affiliate (Note 5). The retirement plan is a noncontributory defined benefit plan that covers substantially all full-time employees of the College.

The University is also a participating employer within the Retiree Medical and Life Plan, administered by a Church affiliate. Through this, the University provides a postretirement benefit plan that provides a fixed monthly dollar benefit toward the purchase of medical and life insurance for retired employees. Participating retirees pay the difference between the fixed amounts and the total premium rates. The University recognizes the estimated cost of these postretirement benefits during the years employees provide service. At the time it adopted this method, the University elected to recognize the cumulative effect of the postretirement benefit obligation over a period of twenty years.

Retirement and postretirement plan information presented below represents the University's proportionate share of the Master Retirement Plan and the Retiree Medical and Life Plan (the Plans), respectively.

The following table shows the funding status and the related amounts recognized in the Statements of Financial Position as of December 31, 2015 and 2014 (in thousands of dollars):

	Retirement Plan		Postretirement Plan	
	2015	2014	2015	2014
Fair value of plan assets	\$ 11,155	\$ 11,237	\$ 1,279	\$ 1,265
Benefit obligation	(14,266)	(14,178)	(2,283)	(2,217)
Amount under funded	<u>\$ (3,111)</u>	<u>\$ (2,941)</u>	<u>\$ (1,004)</u>	<u>\$ (952)</u>

The accumulated benefit obligation for the retirement plan was \$12,223,000 and \$12,596,000 as of December 31, 2015 and 2014, respectively.

LDS BUSINESS COLLEGE

NOTES TO FINANCIAL STATEMENTS

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8. RETIREMENT AND POSTRETIREMENT PLANS, Continued

The following table provides information relating to the retirement and postretirement plans as of and for the years ended December 31, 2015 and 2014 (in thousands of dollars):

	Retirement Plan		Postretirement Plan	
	2015	2014	2015	2014
<b>Selected changes in plan assets:</b>				
Employer contributions	\$ 434	\$ 479	\$ 88	\$ 10
Plan participants' contributions	N/A	N/A	N/A	N/A
Benefits paid	511	457	65	64
<b>Accumulated amounts reflected in the Statement of Financial Position:</b>				
Net loss	\$ 3,405	\$ 3,428	\$ 665	\$ 666
Prior service cost	4	6	72	81
Amount in unrestricted net assets	3,409	3,434	737	747
Accrued (prepaid) retirement/postretirement cost	(298)	(493)	267	205
Retirement/postretirement liability	<u>\$ 3,111</u>	<u>\$ 2,941</u>	<u>\$ 1,004</u>	<u>\$ 952</u>
<b>Periodic benefit cost and other amounts recognized in unrestricted net assets reflected in the Statement of Activities:</b>				
Benefit cost	<u>\$ 629</u>	<u>\$ 406</u>	<u>\$ 150</u>	<u>\$ 106</u>
Net loss (gain)	(23)	2,212	(1)	200
Prior service cost (credit)	<u>(2)</u>	<u>(5)</u>	<u>(8)</u>	<u>78</u>
Other amounts recognized in unrestricted net assets	<u>(25)</u>	<u>2,207</u>	<u>(9)</u>	<u>278</u>
Total benefit cost and other amounts recognized in unrestricted net assets	<u>\$ 604</u>	<u>\$ 2,613</u>	<u>\$ 141</u>	<u>\$ 384</u>



# LDS BUSINESS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 8. RETIREMENT AND POSTRETIREMENT PLANS, Continued

The estimated prior service cost and net loss for the retirement plan that will be amortized from unrestricted net assets into net periodic benefit cost during 2016 are \$1,900 and \$140,000, respectively. The estimated prior service cost and net loss for the postretirement plan that will be amortized from unrestricted net assets into net periodic benefit cost during 2016 are \$8,000 and \$26,000, respectively.

For the years ended December 31, 2015 and 2014, the following weighted-average assumptions were used in accounting for the retirement and postretirement plans:

	Retirement Plan		Postretirement Plan	
	2015	2014	2015	2014
Benefit obligation:				
Discount rate	4.20%	3.80%	4.20%	3.80%
Rate of compensation increase	4.80%	3.36%	NA	N/A
Net periodic benefit cost:				
Discount rate	3.80%	4.70%	3.80%	4.60%
Expected return on plan assets	7.00%	7.00%	7.00%	7.00%
Rate of compensation increase	4.31%	3.36%	NA	N/A

Postretirement benefits are fixed dollar amounts which might be adjusted in the future. For December 31, 2014 valuations, an annual monetary benefit increase rate of 3.0% was used to project potential future increases to the fixed dollar amounts. A medical trend rate of approximately 7.5% was applied to certain medical costs before age 65. For December 31, 2015 valuations, a 7.0% percent (8.2% for Medicare supplement) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2016; the rate was assumed to decrease gradually going forward to 5.8% (6.3% for Medicare supplement) for 2025. It will continue to decrease until it reaches its ultimate level of 3.8% in 2075.

# LDS BUSINESS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 8. RETIREMENT AND POSTRETIREMENT PLANS, Continued

By way of investment policy, the retirement and postretirement funds have established long-term strategic asset allocation targets and ranges, as shown below. The 7.0% expected long-term return assumption on retirement and postretirement plan assets, as shown below, was based primarily on forecasted returns for the next ten years by asset category, weighted by the 2012 asset allocation target.

	Asset Allocation		Estimated Return	
	Target	Range	2012 Weighting	Category Return
Asset Category:				
Domestic equity securities	20%	10-30%	32%	7.5%
International equity securities	10%	5-20%	13%	8.5%
Debt securities	25%	15-40%	35%	3.5%
Real estate	10%	5-15%	10%	7.0%
Other assets	35%	15-50%	10%	10.5%
Value from active management				0.5%
Weighted-average return				7.0%

The Plans set long term strategic asset allocation target ranges and then use tactical asset allocation and active management with the intent of providing additional return. The investment policies have been designed to provide for the potential of reasonable long-term performance, yet control the magnitude of risk by setting policy ranges for asset allocation, domestic equity capitalization weighting, domestic equity active management exposure, derivatives exposure, and fixed-income quality.

The financial instruments of the retirement and postretirement plans are reported at fair value and are categorized into a three-level hierarchy based on the nature of the inputs to the valuation technique, as described in Note 1.

# LDS BUSINESS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 8. RETIREMENT AND POSTRETIREMENT PLANS, Continued

The tables below present the fair value of the Master Retirement Plan assets as of December 31, 2015 and 2014 (in thousands of dollars), of which the College's share was 0.23% and 0.22% as of the respective dates.

	Fair Value Measurements as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 93,221	\$ -	\$ -	\$ 93,221
Investments:				
U.S. government securities	-	210,220	-	210,220
Corporate debt securities, domestic	-	395,305	5,193	400,498
Corporate debt securities, international	-	7,561	-	7,561
Corporate debt securities, exchange traded note	28,464	-	-	28,464
Mutual funds	1,318,533	128,971	-	1,447,504
Common stocks, domestic	762,411	-	-	762,411
Common stocks, international	443,279	-	-	443,279
Preferred stocks	9,548	2,025	-	11,573
Government agency mortgage-backed securities	-	153,162	2,001	155,163
Private mortgage-backed securities	-	148,895	9,052	157,947
Real estate, open end funds	-	585,014	-	585,014
Real estate, closed end funds	-	-	71,845	71,845
Limited partnerships	-	-	582,058	582,058
Derivatives	-	287	-	287
Net Master Retirement Plan assets	<u>\$ 2,655,456</u>	<u>\$ 1,631,440</u>	<u>\$ 670,149</u>	<u>\$ 4,957,045</u>

	Fair Value Measurements as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 145,066	\$ -	\$ -	\$ 145,066
Investments:				
U.S. government securities	-	186,188	-	186,188
Corporate debt securities, domestic	-	452,718	10,758	463,476
Corporate debt securities, international	-	5,748	-	5,748
Corporate debt securities, exchange traded note	79,358	-	-	79,358
Mutual funds	1,228,868	99,812	-	1,328,680
Common stocks, domestic	975,584	-	-	975,584
Common stocks, international	433,531	-	-	433,531
Preferred stocks	9,625	-	-	9,625
Government agency mortgage-backed securities	-	146,230	2,400	148,630
Private mortgage-backed securities	-	167,182	5,837	173,019
Real estate, open end funds	-	472,012	-	472,012
Real estate, closed end funds	-	-	57,792	57,792
Limited partnerships	-	-	515,820	515,820
Derivatives	2,504	64	37	2,605
Net Master Retirement Plan assets	<u>\$ 2,874,536</u>	<u>\$ 1,529,954</u>	<u>\$ 592,644</u>	<u>\$ 4,997,134</u>

# LDS BUSINESS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 8. RETIREMENT AND POSTRETIREMENT PLANS, Continued

The tables below present the fair value of the Retiree Medical and Life Plan assets as of December 31, 2015 and 2014 (in thousands of dollars), of which the College's share was 0.28% and 0.28% as of the respective dates.

	Fair Value Measurements as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 8,976	\$ -	\$ -	\$ 8,976
Investments:				
U.S. government securities	-	18,021	-	18,021
Corporate debt securities, domestic	-	29,878	38	29,916
Corporate debt securities, international	-	301	-	301
Corporate debt securities, exchange traded note	3,334	-	-	3,334
Mutual funds	238,307	32,490	-	270,797
Common stocks, domestic	36,471	-	-	36,471
Preferred stocks	1,055	139	-	1,194
Government agency mortgage-backed securities	-	407	-	407
Real estate, open end funds	-	53,226	-	53,226
Real estate, closed end funds	-	-	4,903	4,903
Limited partnerships	-	-	29,130	29,130
Derivatives	105	-	-	105
Net Retiree Medical and Life Plan assets	<u>\$ 288,248</u>	<u>\$ 134,462</u>	<u>\$ 34,071</u>	<u>\$ 456,781</u>

	Fair Value Measurements as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 17,849	\$ -	\$ -	\$ 17,849
Investments:				
U.S. government securities	-	15,293	-	15,293
Corporate debt securities, domestic	-	34,984	390	35,374
Corporate debt securities, international	-	441	-	441
Corporate debt securities, exchange traded note	8,083	-	-	8,083
Mutual funds	227,533	33,053	-	260,586
Common stocks, domestic	43,615	-	-	43,615
Preferred stocks	1,095	-	-	1,095
Government agency mortgage-backed securities	-	631	-	631
Real estate, open end funds	-	41,443	-	41,443
Real estate, closed end funds	-	-	4,657	4,657
Limited partnerships	-	-	26,880	26,880
Derivatives	253	-	3	256
Net Retiree Medical and Life Plan assets	<u>\$ 298,428</u>	<u>\$ 125,845</u>	<u>\$ 31,930</u>	<u>\$ 456,203</u>

# LDS BUSINESS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 8. RETIREMENT AND POSTRETIREMENT PLANS, Continued

The following tables provide a summary of changes in fair value of the Level 3 Master Retirement Plan assets for the years ended December 31, 2015 and 2014 (in thousands of dollars):

	2015 Fair Value Measurements Using Significant Unobservable Inputs					
	Corporate Debt Securities	Common Stocks	Preferred Stocks	Govt. Agency Mortgage- backed Securities	Private Mortgage- backed Securities	
Level 3 investments, beginning of year	\$ 10,758	\$ -	\$ -	\$ 2,400	\$ 5,837	Table continued below
Actual return on plan assets:						
Relating to assets still held as of end of year	(298)	-	-	(20)	110	
Relating to assets sold during the year	(393)	-	-	(24)	47	
Purchases	4,735	-	-	367	4,162	
Sales/maturities	(9,609)	-	-	(722)	(1,104)	
Transfers into (out of) Level 3	-	-	-	-	-	
Level 3 investments, end of year	\$ 5,193	\$ -	\$ -	\$ 2,001	\$ 9,052	

	Real Estate Closed End Funds	Limited Partnerships	Derivatives	Total
Level 3 investments, beginning of year	\$ 57,792	\$ 515,820	\$ 37	\$ 592,644
Actual return on plan assets:				
Relating to assets still held as of end of year	4,880	2,684	(2)	7,354
Relating to assets sold during the year	100	31,896	8	31,634
Purchases	29,071	112,555	34	150,924
Sales/maturities	(19,998)	(80,897)	(77)	(112,407)
Transfers into (out of) Level 3	-	-	-	-
Level 3 investments, end of year	<u>\$ 71,845</u>	<u>\$ 582,058</u>	<u>\$ -</u>	<u>\$ 670,149</u>

	2014 Fair Value Measurements Using Significant Unobservable Inputs					
	Corporate Debt Securities	Common Stocks	Preferred Stocks	Govt. Agency Mortgage- backed Securities	Private Mortgage- backed Securities	
Level 3 investments, beginning of year	\$ 11,872	\$ 905	\$ 160	\$ 848	\$ 2,314	Table continued below
Actual return on plan assets:						
Relating to assets still held as of end of year	(621)	-	35	30	105	
Relating to assets sold during the year	(160)	-	(54)	(5)	(148)	
Purchases	13,666	-	-	1,598	5,287	
Sales/maturities	(14,362)	-	(141)	(71)	(1,721)	
Transfers into (out of) Level 3	363	(905)	-	-	-	
Level 3 investments, end of year	\$ 10,758	\$ -	\$ -	\$ 2,400	\$ 5,837	

	Real Estate Closed End Funds	Limited Partnerships	Derivatives	Total
Level 3 investments, beginning of year	\$ 72,316	\$ 433,654	\$ -	\$ 522,069
Actual return on plan assets:				
Relating to assets still held as of end of year	(2,273)	(341)	3	(3,062)
Relating to assets sold during the year	7,875	31,046	-	38,554
Purchases	36,672	135,791	34	193,048
Sales/maturities	(56,798)	(84,330)	-	(157,423)
Transfers into (out of) Level 3	-	-	-	(542)
Level 3 investments, end of year	<u>\$ 57,792</u>	<u>\$ 515,820</u>	<u>\$ 37</u>	<u>\$ 592,644</u>

# LDS BUSINESS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 8. RETIREMENT AND POSTRETIREMENT PLANS, Continued

The following tables provide a summary of changes in fair value of the Level 3 Retiree Medical and Life Plan assets for the years ended December 31, 2015 and 2014 (in thousands of dollars):

2015 Fair Value Measurements Using Significant Unobservable Inputs						
	Common Stock	Corporate Debt Securities	Closed-End Real Estate	Limited Partnerships	Derivatives	Total
Level 3 investments, beginning of year	\$ -	\$ 390	\$ 4,657	\$ 26,880	\$ 3	\$ 31,930
Actual return on plan assets:						
Relating to assets still held as of 12/31/2015	-	(9)	284	59	-	334
Relating to assets sold during the 2015 year	-	1	19	1,120	1	1,141
Purchases	-	-	1,463	5,246	3	6,712
Sales/Maturities	-	(344)	(1,520)	(4,175)	(7)	(6,046)
Transfers in and/or out of Level 3	-	-	-	-	-	-
Level 3 investments, end of year	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 4,903</u>	<u>\$ 29,130</u>	<u>\$ -</u>	<u>\$ 34,071</u>

2014 Fair Value Measurements Using Significant Unobservable Inputs						
	Common Stock	Corporate Debt Securities	Closed-End Real Estate	Limited Partnerships	Derivatives	Total
Level 3 investments, beginning of year	\$ 32	\$ 383	\$ 6,068	\$ 22,180	\$ -	\$ 28,663
Actual return on plan assets:						
Relating to assets still held as of 12/31/2014	-	-	(397)	(790)	-	(1,187)
Relating to assets sold during the 2014 year	-	(29)	673	2,094	-	2,738
Purchases	-	8	1,931	8,713	3	10,655
Sales/Maturities	-	-	(3,618)	(5,317)	-	(8,935)
Transfers in and/or out of Level 3	(32)	28	-	-	-	(4)
Level 3 investments, end of year	<u>\$ -</u>	<u>\$ 390</u>	<u>\$ 4,657</u>	<u>\$ 26,880</u>	<u>\$ 3</u>	<u>\$ 31,930</u>

LDS BUSINESS COLLEGE  
NOTES TO FINANCIAL STATEMENTS

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8. RETIREMENT AND POSTRETIREMENT PLANS, Continued

The College expects to contribute \$639,000 to its retirement plan and \$88,000 to its postretirement plan during the year ending December 31, 2016.

As of December 31, 2015 the following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands of dollars):

Year ending December 31,	Retirement Plan	Postretirement Plan
2016	\$ 527	\$ 88
2017	573	99
2018	611	99
2019	648	106
2020	684	92
2021-2025	3,955	622

The College also participates in supplementary defined contribution retirement plans. The plans cover substantially all full-time employees. These plans are provided through a Church affiliate. Employees can contribute a portion of their salaries, not to exceed Internal Revenue Service limits, in qualified programs offered through these companies. For included classes of employees, the College contributes a matching amount up to 6 percent of employee salary to the Church affiliate, which during the years ended December 31, 2015 and 2014, totaled \$230,000 and \$183,000, respectively.

9. SUBSEQUENT EVENTS

The College has evaluated subsequent events for the period after December 31, 2015 through April 29, 2016, the date the financial statements were available to be issued. No events have been identified that would have a material effect on the financial statements.

LDS BUSINESS COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
for the year ended December 31, 2015

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
Student Financial Aid Cluster: U.S. Department of Education Federal Pell Grant Program	84.063	\$ 2,992,640
Direct Loans (includes Stafford Loans and PLUS Loans)	84.268	<u>1,608,120</u>
Total Student Financial Aid Cluster		<u>4,600,760</u>
Total Federal Financial Assistance		<u><u>\$ 4,600,760</u></u>

See notes to the schedule of expenditures of federal awards



## LDS BUSINESS COLLEGE

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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#### 1. BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2015 includes the federal financial assistance transactions of LDS Business College (the "College") recorded on the accrual basis of accounting. Funds derived from federal grants may be used only to meet current expenditures for the purposes specifically identified by the sponsoring agencies. The information in the schedule is presented in accordance with the requirements of OMB Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### 2. LOAN PROGRAMS:

The College issued loans under the Federal Direct Student Loans Program, which includes Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct Parent's Loans for Undergraduate Students, which are included in the Schedule of Expenditures of Federal Awards

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan programs and, accordingly, these loans are not included in the University's basic consolidated financial statements. It is not practical to determine the balance of loans outstanding under these programs at December 31, 2015.



**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***

To the Board of Trustees of LDS Business College:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of LDS Business College, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2016.

**Internal Control Over Financial Reporting**

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

*PricewaterhouseCoopers LLP*

April 29, 2016



**Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on Internal  
Control Over Compliance in Accordance with the OMB Uniform Guidance**

To the Board of Trustees of LDS Business College:

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

We have audited LDS Business College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on LDS Business College's major federal program for the year ended December 31, 2015. LDS Business College's major federal program is 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 LDS Business College's major federal program 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 LDS Business 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 the major federal program. However, our audit does not provide a legal determination of LDS Business College's compliance.

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

In our opinion, LDS Business College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule



of Findings and Questioned Costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

LDS Business College's response to the noncompliance finding identified in our audit is described in the accompanying Management Views and Corrective Action Plan. LDS Business 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 LDS Business 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 LDS Business 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 LDS Business 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

June 8, 2016

**LDS BUSINESS COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

for the year ended December 31, 2015

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued: Unmodified Opinion

Internal control over financial reporting:

• Material weaknesses identified?	<u>    </u> yes	<u>  X  </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u>    </u> yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>    </u> yes	<u>  X  </u> no

*Federal Awards*

Internal control over major programs:

• Material weaknesses identified?	<u>    </u> yes	<u>  X  </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u>    </u> yes	<u>  X  </u> none reported

Type of auditor’s report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	<u>  X  </u> yes	<u>    </u> no
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Identification of major programs: CFDA Number: Various	Name of Federal Program or Cluster Student Financial Aid Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u>  X  </u> yes <u>    </u> no

**Section II – Financial Statement Findings**

No findings related to the financial statements were noted which are required to be reported in accordance with Government Auditing Standards for the year ended December 31, 2015.

## **LDS BUSINESS COLLEGE**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

for the year ended December 31, 2015

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

##### **Current Year Audit Findings:**

##### **2015-001 – Non-Compliance with Treatment of Title IV Grant and Loan Funds (after a student begins attendance)**

##### **Student Financial Aid Cluster**

##### **Criteria:**

In accordance with 34 CFR section 668.22(j) an institution must return the amount of title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew. Further, it is noted that a school is considered to have issued a check timely if the school's records show that the check was issued within 45 days of the date the school determined that the student withdrew and the date on the cancelled check shows that the bank endorsed that check no more than 60 days after the date the school determined that the student withdrew. Also see regulation 34 CFR 668.173(c)(i) and 34 CFR 668.173(d).

##### **Condition:**

In examining a sample size of 8 students who withdrew from the College and received Title IV funding, we noted 2 instances of noncompliance in which funds were not returned within the 45-day requirement (per 34 CFR section 668.22 and page 5-96 of Volume 5 of the Federal Student Aid Handbook). These instances resulted in a noncompliant disbursement period in the range of 104-110 days. The total population of students with return of Title IV funds was 78 students. Subsequent to our testing, the College's internal audit department tested 100% of the population and noted an additional 2 instances of noncompliance. The resulting error rate is 4 out of 78, or 5%.

##### **Cause:**

There was a staffing change in the position responsible for identifying and processing Return of Title IV Funds at the end of Fall Semester 2015. As a result of the staffing change, there were delays in identifying and processing the returns within the 45-day requirement.

##### **Effect:**

The late returns resulted in noncompliance with the Code of Federal Regulations.

##### **Recommendations:**

We recommend that the College continue to focus on the issue of timely return of funds and to monitor the corrective action plan. In addition, we recommend that the College implement policies and procedures to ensure responsibilities are addressed during any change in staffing.

##### **Management Response:**

See Management Views and Corrective Action Plan.

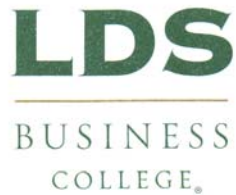
**LDS BUSINESS COLLEGE**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

for the year ended December 31, 2015

There were no prior year findings or questioned costs related to Federal Awards for the year ended December 31, 2014.





**Management Views and Corrective Action Plan**

**2015-01 - Non-Compliance with Treatment of Title IV Grant and Loan Funds (after a student begins attendance)**

**Year ending December 31, 2015**

This finding was identified during the OMB Uniform Guidance audit. Management agrees with the finding and proposes the following Corrective Action Plan:

**Corrective Action Plan**

This finding was identified during the OMB Uniform Guidance Audit. This issue resulted from the College's former Director of Financial Aid Compliance using a manual, hardcopy document system to process Return of Title IV aid. In 2016, with the arrival of a new Director of Financial Aid Compliance, the College implemented a new Return of Title IV aid process. This process is now managed electronically in Laserfiche using templates and workflow to ensure documents keep moving and can be monitored throughout the entire process. The ability for the Director of Financial Aid Compliance to monitor the status of each return will ensure they are processed within the required time.

Sincerely,

A handwritten signature in blue ink, appearing to read "Melanie Conover".

Melanie Conover  
Manager of Student Financial Services  
801-524-1927