

**BETHUNE-COOKMAN UNIVERSITY, INC.**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2017 and 2016**

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Trustees  
Bethune-Cookman University, Inc.  
Daytona Beach, Florida

We have audited the accompanying financial statements of Bethune-Cookman University, Inc. (the "University"), which comprise the balance sheets as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

To the Board of Trustees  
Bethune-Cookman University, Inc.

## **Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the University as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



**MOORE STEPHENS LOVELACE, P.A.**

Certified Public Accountants

Orlando, Florida  
October 16, 2017

# BETHUNE-COOKMAN UNIVERSITY, INC.

## BALANCE SHEETS

June 30, 2017 and 2016

### ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 7,113,647	\$ 2,466,285
Investments	42,323,284	47,899,540
Student accounts receivable, net	7,417,196	8,401,162
Grants and student aid receivable	1,904,109	739,417
Contributions receivable, net	784,327	1,003,769
Assets whose use is limited	3,595,505	2,764,984
Prepaid expenses	172,118	532,385
Property and equipment, net	156,148,569	159,621,403
Other assets	<u>2,008,693</u>	<u>2,195,849</u>
TOTAL ASSETS	<u>\$ 221,467,448</u>	<u>\$ 225,624,794</u>

### LIABILITIES AND NET ASSETS

Accounts payable	\$ 4,098,747	\$ 2,948,713
Accrued expenses and other liabilities	5,064,135	3,289,555
Student deposits	204,972	362,167
Deferred lease payments	6,877,440	3,201,620
Long-term debt	<u>109,798,006</u>	<u>114,620,594</u>
TOTAL LIABILITIES	<b>126,043,300</b>	124,422,649

### COMMITMENTS AND CONTINGENCIES

#### NET ASSETS

Unrestricted	61,620,916	70,418,737
Temporarily restricted	22,887,719	20,012,011
Permanently restricted	<u>10,915,513</u>	<u>10,771,397</u>

TOTAL NET ASSETS 95,424,148 101,202,145

TOTAL LIABILITIES AND NET ASSETS \$ 221,467,448 \$ 225,624,794

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

# BETHUNE-COOKMAN UNIVERSITY, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2017 and 2016

	2017	2016
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Tuition and fees	\$ 55,033,633	\$ 53,471,564
Less scholarship allowance	<u>(12,503,594)</u>	<u>(14,495,289)</u>
Net tuition and fees	42,530,039	38,976,275
Auxiliary activities	24,430,641	20,312,125
Private gifts and grants	1,220,968	2,865,429
Investment income (loss)	2,083,559	(630,913)
Other income	<u>1,969,123</u>	<u>1,636,465</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	72,234,330	63,159,381
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of scholarship and donor stipulations	<u>16,057,489</u>	<u>14,013,388</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTION	16,057,489	14,013,388
EXPENSES		
Education and general:		
Instruction	25,281,889	25,327,333
Institutional support	28,308,479	28,448,579
Academic support	1,186,078	1,369,046
Operation and maintenance	8,130,100	8,931,950
Student services and activities	7,175,604	8,267,061
Research	<u>636,269</u>	<u>234,343</u>
Total educational and general	70,718,419	72,578,312
Auxiliary activities	<u>26,371,221</u>	<u>22,450,119</u>
TOTAL EXPENSES	<u>97,089,640</u>	<u>95,028,431</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(8,797,821)</u>	<u>(17,855,662)</u>

(Continued)

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

# BETHUNE-COOKMAN UNIVERSITY, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS *(Continued)*

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CHANGE IN UNRESTRICTED NET ASSETS	\$ (8,797,821)	\$ (17,855,662)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Federal grants and contracts	4,520,963	4,498,106
State grants	5,632,955	6,098,010
Private gifts and grants	5,025,438	3,233,135
Investment income (loss)	3,438,900	(838,431)
Auxiliary enterprises	284,162	214,474
Other	30,779	1,047
Net assets released from restrictions	<u>(16,057,489)</u>	<u>(14,013,388)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	2,875,708	(807,047)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
Private gifts and grants	<u>144,116</u>	<u>109,859</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>144,116</u>	<u>109,859</u>
CHANGE IN NET ASSETS	(5,777,997)	(18,552,850)
NET ASSETS AT BEGINNING OF YEAR	<u>101,202,145</u>	<u>119,754,995</u>
NET ASSETS AT END OF YEAR	<u>\$ 95,424,148</u>	<u>\$ 101,202,145</u>

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

# BETHUNE-COOKMAN UNIVERSITY, INC.

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,777,997)	\$ (18,552,850)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,895,384	4,676,506
Net unrealized (gains) losses on investments	(2,460,421)	2,634,465
Contributions for long-term endowments	(144,116)	(219,718)
Provision for doubtful accounts	2,908,684	2,117,334
Changes in operating assets and liabilities:		
Student accounts receivable	(1,924,718)	(5,249,413)
Grants and student aid receivable	(1,164,692)	801,314
Prepaid expenses	360,267	(265,410)
Contributions receivable	219,442	(481,653)
Other assets	187,156	458,667
Accounts payable	1,150,034	1,635,768
Accrued expenses and other liabilities	1,774,580	1,183,583
Deferred lease payments	3,675,820	3,201,620
Student deposits	(157,195)	78,245
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,542,228	(7,981,542)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in amount due from FUM Foundation	119,043	896,901
Net change in assets whose use is limited	(830,521)	1,275,597
Purchase of investments	(37,694,027)	(15,689,471)
Proceeds from sales and maturities of investments	45,611,661	20,015,449
Purchase of property and equipment	(2,422,550)	(1,369,760)
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,783,606	5,128,716
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term endowments	144,116	219,718
Proceeds from borrowings	-	2,970,474
Repayments on bonds payable	(815,000)	(795,000)
Repayments of other borrowings	(3,598,423)	(654,917)
Repayments on capital lease obligations	(409,165)	(468,985)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(4,678,472)	1,271,290
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,647,362	(1,581,536)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,466,285	4,047,821
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,113,647	\$ 2,466,285

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



# BETHUNE-COOKMAN UNIVERSITY, INC.

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

### NOTE 1 - NATURE OF THE ORGANIZATION AND BASIS OF PRESENTATION

Bethune-Cookman University, Inc. (“B-CU” or the “University”), located in Daytona Beach, Florida, is a private, not-for-profit university affiliated with the General Board of Higher Education and Ministry, an agency of the United Methodist Church.

The University offers undergraduate, graduate, and continuing education courses to students on its main campus and two satellite locations and is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools.

In addition to education and instructional programs, the University operates student housing and meals programs and as the B-CU Wildcats, participates in NCAA Division I intercollegiate athletics.

#### **Basis of Presentation**

As a private, not-for-profit institution, the University presents its financial statements in accordance with generally accepted accounting principles applicable to not-for-profit organizations. Accordingly, the financial statements present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classifying net assets and changes in net assets as follows:

- *Unrestricted net assets* - Net assets that are not subjected to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets whose use is subject to donor-imposed restrictions that can be fulfilled by actions of the University or by the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the University.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the more significant accounting policies followed by the University in the preparation of its financial statements.

#### **Cash and Cash Equivalents**

The University considers all unrestricted, highly liquid investments with a maturity of three months or less when purchased, except those classified as assets whose use is limited or investments, to be cash equivalents.

The University has cash balances with banks in excess of FDIC-insured limits, which potentially subjects the University to credit risk. Management believes the risk related to these deposits is minimal.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Investments**

Investments are reported in the balance sheets at fair value. Fair value is determined using the quoted closing or latest bid prices. Realized gains and losses are calculated based on proceeds received, less carrying value. The carrying value of securities sold is based on the specific-identification method, when practicable, otherwise, the average cost method is used. Changes in net unrealized gains and losses are reported in the statements of activities and represent the change in the fair value of investments during the year.

### **Student Accounts Receivable**

The University grants credit without collateral to its students and allows students to continue to enroll in classes as long as the student's receivable balance does not exceed \$3,000. Credit risk related to student accounts receivable is somewhat mitigated because these receivables are distributed among a wide range of students.

The balance sheets present accounts receivable at the estimated amounts to be realized from students, third-party payors, and others. The University's administration provides an allowance for uncollectible accounts based on an analysis of the age of the receivable, historical collection experience, and payor-specific credit evaluations. The allowance for uncollectible student accounts at June 30, 2017 and 2016, was approximately \$7,440,050 and \$4,531,000, respectively.

### **Grants and Student Aid Receivable**

Amounts due from federal and state government grantor agencies for research and programmatic activities and for student scholarship and financial aid programs are reflected in the balance sheets as grants and student aid receivable. The University's administration believes that credit risk related to these amounts are minimal because of the taxing authority of the governmental entities from which they are due. Accordingly, the financial statements include no provision or allowance for uncollectible grants and student aid.

### **Contributions Receivable**

Unconditional contributions and promises to give cash and other assets (including multi-year pledges) are recognized at fair value in the period made. Amounts to be received over more than one year are measured at the present value of estimated future cash flows.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

An allowance for uncollectible contributions is provided based upon the administration's judgment after considering such factors as the prior collection history, type of contribution, and nature of the fundraising activity.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

### **Assets Whose Use is Limited**

Assets whose use is limited includes amounts set aside under provisions of borrowing and contractual arrangements. A detail of the amounts comprising assets whose use is limited is presented in Note 5.

### **Property and Equipment**

Property and equipment are recorded at cost, if purchased, or at fair market value at the date of gift, if donated. Assets acquired in the amount of \$5,000 or greater with a useful life in excess of one year are capitalized. The cost of recurring replacements and maintenance or repairs that do not improve or extend the useful life of the asset are charged to operations as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of assets: 30 years for buildings and 6 to 20 years for equipment. Equipment acquired through capital lease financing is amortized over the shorter of the asset's useful life or the term of the lease using the straight-line method.

### **Impairment of Long-Lived Assets and Intangible Assets**

The University's administration continually monitors conditions that may affect the carrying value of its long-lived assets and intangible assets. When changes in conditions indicate potential impairment, the administration evaluates the asset's carrying value and, if necessary, the asset is written down to its estimated net realizable value. There were no asset impairment charges during the years ended June 30, 2017 and 2016.

### **Other Assets**

Costs incurred in connection with the issuance of long-term borrowings are deferred and amortized to expense over the term of the related obligation. Other assets consist of the unamortized balance of deferred costs associated with the issuance of the 2010 bonds (see Note 7) and reimbursable advances related to a student housing development project.

### **Revenue Recognition**

#### Net Tuition and Fees

Tuition and fee revenue is recognized at the estimated net realizable amounts due from students, third-party payors, and others at the time instruction and services are provided.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

Auxiliary Activities

Student housing revenue is recognized on the accrual basis in the period in which occupancy rights are provided. The lease agreements require certain deposits. These deposits are initially recorded as deferred revenue and are recognized as income in the periods earned.

Ancillary charges for student meals and various additional services are recorded in the period the meals and services are provided.

Receipts from athletic and arts program event ticket sales is initially recorded as deferred revenue and recognized as revenue at the time of the event.

The following table summarizes the auxiliary revenues for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Student housing	<b>\$ 17,030,302</b>	\$ 13,716,245
Student meals	<b>4,998,899</b>	4,319,961
Athletics	<b>2,616,232</b>	2,456,216
Other	<b>69,370</b>	34,177
Total auxiliary revenues	<b><u>\$ 24,714,803</u></b>	<b><u>\$ 20,526,599</u></b>

Grant and Contract Revenues

Revenues from grants and contracts are recognized when related expenses are incurred or services are provided, as defined in the contract or grant agreement.

Contributions and Donations

Contributions and gifts are recorded at their estimated fair values on the date of receipt.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are reported as a restricted contribution. When a restriction ends, or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions in that period.

Donated merchandise used for fundraising activities is recorded as support upon sale, rather than upon receipt, since no objective basis is available to measure its value.

Numerous individuals volunteer their time and effort in support of the University and its mission. No amounts have been reflected in these financial statements for those donated services, as there is no objective basis to measure their value.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income Taxes

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University may, from time to time, engage in activities subject to unrelated business income tax. However, taxes on unrelated business activities have not been material to the financial statements. Accordingly, no provision or liability for income taxes is included in the financial statements. Furthermore, the University's administration has concluded that there are no uncertain tax positions requiring recognition in its financial statements.

### Fair Value Measurement

Estimates of the fair value of financial instruments are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment. Changes in assumptions and in the University's operating environment could significantly affect these estimates.

The fair value of financial instruments is based on a three-tier hierarchy, which prioritizes the input used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels are defined as follows:

- |                |   |
|----------------|---|
| <b>Level 1</b> | Unadjusted quoted prices in active markets for identical assets or liabilities.                                     |
| <b>Level 2</b> | Inputs other than quoted prices in active markets within Level 1 that are either directly or indirectly observable. |
| <b>Level 3</b> | Significant, unobservable inputs for the asset or liability in which little or no market data exists.               |

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

If available, quoted market prices are used to value investments, including investments classified as assets whose use is limited. Corporate bonds and notes, U.S. Government obligations, and equity securities are valued at the closing price reported on the most active market on which the individual securities are traded. Mutual funds are valued at the closing price reported on the most active market on which the fund is traded or at the net asset value of the University's units. Hedge funds, limited partnerships, private equities, and alternative investments not traded on active markets are valued using a combination of market and income approaches related to the specific characteristics of the investment.

If the University does not have the ability to unilaterally redeem its investment from the investee at net asset value per share (or its equivalent), the fair value measurement of the investment is categorized as Level 3.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Functional Expense Allocation

Expenses are allocated in the statements of activities and changes in net assets in categories recommended by the National Association of Colleges and Universities Business Officers. The University's primary program service is instruction. Expenses reported as academic support and student services and activities are incurred in the support of the organization's primary program service. Institutional support mainly includes management and general expenses. Operation and maintenance includes all expenses for operations established to provide services and maintenance related to grounds and facilities. Research includes expenses allocated to research activities.

### 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 and disclosures in the financial statements. Actual results could differ from those estimates.

### Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

## NOTE 3 - INVESTMENTS

The following tables summarize the composition of investments as of June 30, 2017 and 2016:

	2017	
	Fair Value	Cost
Global ex-U.S. equity	\$ 11,114,759	\$ 10,126,420
U.S. mid- to large-cap equity	11,600,046	7,768,601
Hedge funds	7,424,523	4,738,355
Debt mutual funds	9,013,628	8,998,994
Commingled funds	2,640,400	2,778,480
Loan due from FUM Foundation	22,200	22,200
Short-term investment funds	507,728	507,728
Total investments	\$ 42,323,284	\$ 34,940,778

  

	2016	
	Fair Value	Cost
Global ex-U.S. equity	\$ 14,872,230	\$ 15,203,688
U.S. mid- to large-cap equity	13,196,389	10,089,261
Hedge funds	6,846,174	4,738,355
Debt mutual funds	6,287,349	6,025,605
Commingled funds	3,074,521	3,301,857
International bonds fund	2,961,737	2,957,548
Loan due from FUM Foundation	141,243	141,243
Short-term investment funds	519,897	519,897
Total investments	\$ 47,899,540	\$ 42,977,454

**NOTE 3 - INVESTMENTS (Continued)**

The following tables summarize investment income and its classification in the statements of activities and changes in net assets for the fiscal years ended June 30, 2017 and 2016:

	2017	
	Unrestricted	Temporarily Restricted
Dividends and interest	\$ 307,980	\$ 380,407
Net realized gains	871,854	1,501,797
Change in unrealized gain on investments	903,725	1,556,696
Total investment income	<u>\$ 2,083,559</u>	<u>\$ 3,438,900</u>

  

	2016	
	Unrestricted	Temporarily Restricted
Dividends and interest	\$ 392,922	\$ 460,514
Net realized gains	137,384	174,300
Change in unrealized gain on investments	(1,161,219)	(1,473,245)
Total investment income	<u>\$ (630,913)</u>	<u>\$ (838,431)</u>

Certain investments impose, or have the right to impose, withdrawal restrictions that could adversely impact the University's ability to quickly exit these investments. For instance, investments in certain commingled funds, and bond funds are only redeemable on a weekly basis (i.e., first day of the calendar month and every Friday) at the option of the University upon four days' written notice. The international bonds investment is redeemable on a monthly basis (i.e., first day of each calendar month) at the option of the University upon 15 days' written notice. The investment in hedge funds is redeemable on a quarterly or semiannual basis (i.e., first business day of the calendar quarter) at the option of the University upon 45 days' written notice. Also, included in investments is \$22,200 and \$141,243 at June 30, 2017 and 2016, respectively, on deposit with the Florida United Methodist Foundation ("Foundation"). The Foundation invests these funds primarily in loans made to religious institutions. This investment may only be liquidated with approval of the Foundation's Board of Trustees and is subject to a 45-day withdrawal restriction.

The University incurred investment-related expenses, custodian fees, and investment advisor fees of \$113,785 and \$109,682 for the years ended June 30, 2017 and 2016, respectively. These amounts were netted against investment earnings in the statements of activities and changes in net assets.

#### NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2017 and 2016 are presented net of allowances and discounts as follows:

	<u>2017</u>	<u>2016</u>
Total unconditional promises to give	\$ 889,239	\$ 1,141,093
Less allowance for doubtful accounts	-	(88,535)
	<u>889,239</u>	<u>1,052,558</u>
Less discounts	<u>(104,912)</u>	<u>(48,789)</u>
Net unconditional promises to give	<u>\$ 784,327</u>	<u>\$ 1,003,769</u>

Unconditional pledges at June 30, 2017, are due in the following fiscal years:

2018	\$ 417,832
2019	109,262
2020	97,845
2021	87,040
2022 and thereafter	<u>177,260</u>
Total	<u>\$ 889,239</u>

Pledges to be collected after one year from the fiscal year-end are discounted at a rate of 3% over the term of the pledge. The discount rate is applied to the schedule of payments due during each ensuing fiscal year.

From time to time, the University is informed of intentions to give by prospective donors. Such expressions of intent are revocable and unenforceable. The ultimate value of these expressions has not been established or recognized in the financial statements.

Contributions received from Trustees were approximately \$73,421 during the year ended June 30, 2017.

#### NOTE 5 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of certain sinking fund and escrow accounts required under the terms of certain debt agreements, as well as beneficiary interests in amounts held in trust. Details of assets whose use is limited at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Amounts in escrow and sinking funds	\$ 3,117,176	\$ 2,325,027
Beneficiary interest in trusts	<u>478,329</u>	<u>439,957</u>
Total assets whose use is limited	<u>\$ 3,595,505</u>	<u>\$ 2,764,984</u>



## NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment, and related accumulated depreciation and amortization at June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 9,106,883	\$ 9,101,852
Building	110,666,240	109,974,019
Buildings purchased under capital leases	81,744,064	81,744,064
Equipment purchased under capital leases	4,614,200	4,614,200
Equipment	16,322,783	15,212,291
Construction in progress	1,044,325	429,519
	<u>223,498,495</u>	<u>221,075,945</u>
Less accumulated depreciation and amortization	<u>(67,349,926)</u>	<u>(61,454,542)</u>
Property and equipment, net	<u>\$ 156,148,569</u>	<u>\$ 159,621,403</u>

Amortization expense on assets under capital leases was \$1,292,216 and \$138,659 for the years ended June 30, 2017 and 2016, respectively. Depreciation expense was \$4,603,168 and \$4,537,847 for the years ended June 30, 2017 and 2016, respectively.

During the year ended June 30, 2016, construction was completed on four new student housing buildings on the University's campus property. The project was financed through a 40-year lease arrangement with the developer that, in substance, is similar to an installment sale. Accordingly, it is accounted for as a capital lease in the University's financial statements. That is, the University recognized an asset and an obligation equal to the lower of the fair value of the constructed asset or present value of the minimum lease payments during the lease term, which was determined to be \$85 million. The building assets will be amortized in accordance with the University's normal depreciation policies. Additional costs in the amount of \$1.7 million that are reimbursable to the University by the developer are included in other assets on the June 30, 2017 balance sheet.

## NOTE 7 - BORROWING ARRANGEMENTS

Details of borrowing arrangements at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
HBCU Dormitory Capital Project Loan, bearing interest at 6.01%; payable in monthly installments of \$30,850, including interest through September 2027; collateralized by land and building.	<b>\$ 2,806,722</b>	\$ 2,996,337
2010 Series Bonds, bearing interest at rates ranging from 1.125% to 5.38% and due on July 1 and January 1 of each year. Principal payments are due annually on July 1 and the bonds mature serially through July 2032. The bond obligation is collateralized by the University's general revenues.	<b>19,230,000</b>	20,045,000
Loan payable subject to an interest rate swap arrangement which provides for a variable interest rate of LIBOR plus 195 basis points; interest payments are due monthly and principal is due quarterly; matures on October 1, 2024; collateralized by land and building.	<b>1,795,866</b>	1,934,200
Loan payable subject to an interest rate swap arrangement which provides for a variable interest rate of LIBOR plus 225 basis points; interest due monthly and principal due quarterly; matures on October 22, 2019; collateralized by land and building.	<b>940,001</b>	1,240,001
Line of credit payable subject to a variable interest rate of LIBOR plus 2% per annum; interest accrues monthly with both interest due and principal maturing on October 12, 2016; collateralized by the University's depository accounts.	-	2,970,474
Capital lease payable for four residence halls with an imputed interest rate of 7.29%; payable in monthly installments through December 2055; collateralized by the leased assets.	<b>85,000,000</b>	85,000,000
Various equipment capital leases; payable in monthly and annual installments; collateralized by the leased assets.	<b>25,417</b>	434,582
	<b><u>\$ 109,798,006</u></b>	<b><u>\$ 114,620,594</u></b>

**NOTE 7 - BORROWING ARRANGEMENTS (Continued)**

Under the terms of the HBCU Dormitory Capital Project Loan and 2010 Series Bonds, the University is required to make sinking fund deposits for the periodic payment of bond interest and the retirement of bond principal.

Temporarily restricted assets of \$1,957,086 and \$1,751,376 at June 30, 2017 and 2016, respectively, were provided by a National Endowment for the Humanities matching grant and are restricted for retirement of indebtedness.

In December 2010, the University issued \$23,825,000 in Higher Education Revenue Bonds ("2010 Series Bonds"). The proceeds from the sale of the 2010 Series Bonds were used to refund the 2001 Series Bonds and finance a portion of the construction of a new dormitory. These serial bonds mature annually with a final maturity on July 1, 2032. The terms of the 2010 Series Bonds include the maintenance of certain deposits with a trustee, including, beginning in 2021, mandatory sinking fund deposits. The 2010 Series Bonds and certain other borrowing agreements include restrictive covenants which require the University to comply with certain financial and non-financial covenants. The University has not been notified by its creditors of any events of noncompliance.

Interest expense and interest paid on all borrowing arrangements totaled \$7,856,166 and \$4,220,258 for the year ended June 30, 2017, respectively, and \$4,695,637 and \$1,517,949 for the year ended June 30, 2016, respectively. No interest was capitalized during the years ended June 30, 2017 and 2016.

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2017:

<b>Year Ending June 30,</b>	<b>Equipment</b>	<b>Buildings</b>	<b>Total</b>
2018	\$ 25,739	\$ 6,237,536	\$ 6,263,275
2019	-	6,324,050	6,324,050
2020	-	6,411,860	6,411,860
2021	-	6,500,984	6,500,984
2022	-	6,591,446	6,591,446
Thereafter	-	271,142,720	271,142,720
Total minimum lease payments	25,739	303,208,596	303,234,335
Lease amount representing interest	(322)	(218,208,596)	(218,208,918)
Present value of net minimum lease payments	<u>\$ 25,417</u>	<u>\$ 85,000,000</u>	<u>\$ 85,025,417</u>

**NOTE 7 - BORROWING ARRANGEMENTS (Continued)**

Future annual principal maturities under all borrowing arrangements other than capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 3,776,644
2019	1,082,511
2020	1,129,324
2021	1,178,672
2022	1,232,372
Thereafter	16,373,067
	<u>\$ 24,772,590</u>

**NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES**

The following table presents the fair values for assets and liabilities, measured on a recurring basis by hierarchy level, as of June 30, 2017:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1: Quoted Prices in Active Markets for Identical Assets or Liabilities</u>	<u>Level 2: Significant Other Observable Inputs</u>	<u>Level 3: Significant Observable Inputs</u>
<b>Assets (liabilities)</b>				
Investments:				
U.S. mid- to large-cap equity	\$ 11,600,046	\$ 11,600,046	\$ -	\$ -
Global ex-U.S. equity	11,114,759	11,114,759	-	-
Hedge funds	7,424,523	-	7,424,523 <sup>(2)</sup>	-
Commingled funds	2,640,400	-	2,640,400 <sup>(1)</sup>	-
Debt mutual funds	9,013,628	9,013,628	-	-
Short-term investment funds	507,728	507,728	-	-
Assets held in trust by others	478,329	-	-	478,329 <sup>(3)</sup>
Amount due from FUM Foundation	22,200	-	-	22,200

**NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES**  
(Continued)

The following table presents the fair values for assets and liabilities, measured on a recurring basis by hierarchy level, as of June 30, 2016:

Description	Fair Value	Level 1: Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2: Significant Other Observable Inputs	Level 3: Significant Observable Inputs
<b>Assets (liabilities)</b>				
Investments:				
U.S. mid- to large-cap equity	\$ 13,196,389	\$ 13,196,389	\$ -	\$ -
Global ex-U.S. equity	14,872,230	14,872,230	-	-
Hedge funds	6,846,174	-	6,486,174 <sup>(2)</sup>	-
Commingled funds	3,074,521	-	3,074,521 <sup>(1)</sup>	-
Debt mutual funds	6,287,349	6,287,349	-	-
International bonds fund	2,961,737	-	2,961,737	-
Short-term investment funds	519,897	519,897	-	-
Assets held in trust by others	439,957	-	-	439,957 <sup>(3)</sup>
Amount due from FUM Foundation	141,243	-	-	141,243

- (1) The valuation of investments in certain commingled funds and bond funds are based on the values of the underlying investments, for which quoted market prices are readily available. The University then determines its share of the overall fair value. The commingled funds classified as Level 2 are organized as a limited partnership. Participating shares are redeemable on a weekly basis (i.e., first day of the calendar month and every Friday) at the option of the University upon four days' written notice. The bonds investment classified as Level 2 is organized as a limited partnership.
- (2) The fair value of this investment is based on the net asset value per share. The net asset value is determined by the fund manager, based on the values of the underlying investments. This investment is organized as a limited liability company.
- (3) The University is the irrevocable remainder beneficiary of several split-interest agreements. The assets of these charitable remainder trusts are held by an independent trustee. The University's interest in these trusts has been recorded at fair value using a payout rate of approximately 3.0% and a discount rate of 2.8%. The change in fair value since the prior year is driven by unrealized gains and losses on the investments held by the trust and is included in investment income.

The carrying value of receivables, accounts payable, and accrued expenses are reasonable estimates of their fair value due to the short-term nature of these financial instruments. The fair value of debt obligations is estimated based on quoted market prices for the same or similar issues or based on the current rates offered to the University for debt of the same maturities. The fair value of debt obligations approximates carrying value as of June 30, 2017 and 2016.

**NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES**  
*(Continued)*

**Changes in Fair Value of Level 3 Instruments**

The University classifies the fair values of financial instruments within Level 3 if there are no observable markets for the instruments, or, in the absence of active markets, the majority of the inputs used to determine the fair value of the instruments are based on assumptions about market participants. The following is a roll-forward table of Level 3 financial instruments for which the University has used significant unobservable inputs in the fair value measurement on a recurring basis:

	<b>Assets Held in Trust by Others</b>
Fair value as of June 30, 2015	\$ 438,786
Unrealized gains included in change in net assets	1,171
Fair value as of June 30, 2016	439,957
Unrealized gains included in change in net assets	38,372
Fair value as of June 30, 2017	<u>\$ 478,329</u>

**NOTE 9 - RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Institution support programs	\$ 1,262,656	\$ 1,443,726
Acquisition and maintenance of building and equipment	4,510,384	4,036,297
Student aid	9,223,635	7,559,527
Other educational and general operations	7,891,044	6,972,461
	<u>\$ 22,887,719</u>	<u>\$ 20,012,011</u>

Permanently restricted net assets at June 30, 2017 and 2016 are restricted in perpetuity, the income from which is expendable to support:

	<u>2017</u>	<u>2016</u>
Student aid	\$ 9,819,826	\$ 9,721,157
Other educational and general operations	1,095,687	1,050,240
	<u>\$ 10,915,513</u>	<u>\$ 10,771,397</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, principally for student aid, instruction, research and departmental support, and as assets acquired with donor-restricted funds were placed into service.

## NOTE 10 - INVESTMENT PORTFOLIO AND ENDOWMENT

The University's investment portfolio consists of endowed assets and institutional assets.

The endowed assets consist of approximately 170 individual funds established for a variety of purposes and are segregated as follows:

	<u>2017</u>	<u>2016</u>
Permanently restricted endowment	\$ 10,915,513	\$ 10,771,397
Temporarily restricted endowment	<u>21,625,063</u>	<u>18,568,285</u>
Total funds provided by donors	<u>\$ 32,540,576</u>	<u>\$ 29,339,682</u>

### Interpretation of Relevant Law for Endowed Assets

The State of Florida operates under the Florida Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), enacted in 2012. The Board of Trustees of the University has interpreted 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 University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources available to the University
- (7) The University's investment policies

### Endowment 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 or UPMIFA requires. Deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2017 and 2016, the amount of permanently restricted endowments whose fair value of assets was less than the level required by donor stipulation totaled \$4,808 and \$6,663, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

## **NOTE 10 - INVESTMENT PORTFOLIO AND ENDOWMENT (Continued)**

### **Return Objectives and Risk Parameters**

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner to attain an average annual real total return (net of investment management fees) of at least 5.0% over the long term (rolling 20-quarter periods). It is recognized that the real return objective may be difficult to attain in every such period but should be attainable over a series of such periods.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the University's investments are diversified by asset class, within asset classes and by manager. The purpose of diversification is to provide reasonable assurance that no class of securities, manager, or individual holding will have a disproportionate impact on the endowment's aggregate results. The asset allocation of the endowment reflects the University's long-term financial objectives, as well as the University's tolerance for risk. Endowment results are measured relative to blended benchmarks composed of the appropriate asset class indices and weighted based upon the endowment policy target and actual allocations.

### **Endowment Spending Policy and How the Investment Objectives Relate to Spending Policy**

The endowment seeks to achieve reasonable stability in budgeting for University operations and to maintain intergenerational equity between near-term and long-term priorities. The Board of Trustees believes that, subject to exigent circumstances, a long-term spending rate of 3.0% of the endowment is appropriate and, therefore, has adopted the following spending policy: Spending from the endowment in any given fiscal year shall equal 3.0% of the endowment's average market value for the preceding 12 quarters. In establishing this policy, the University considered the return objective of at least 5.0% over the long term.



**NOTE 10 - INVESTMENT PORTFOLIO AND ENDOWMENT (Continued)**

**Endowment Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)**

The following table presents changes in endowment net assets by restriction classification:

	<b>Unrestricted Institutional Assets and Board Designated Endowment</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Net assets at June 30, 2015	\$ 24,162,115	\$ 19,895,087	\$ 10,661,538	\$ 54,718,740
Investment return:				
Investment income	392,922	460,514	-	853,436
Net appreciation (realized and unrealized)	(1,023,835)	(1,298,945)	-	(2,322,780)
Total investment return	(630,913)	(838,431)	-	(1,469,344)
Contributions	-	-	109,859	109,859
Appropriation of endowment assets of expenditure	(24,577)	(488,371)	-	(512,948)
Other changes:				
Transfers from board designated endowment funds	(5,088,010)	-	-	(5,088,010)
Net assets at June 30, 2016	18,418,615	18,568,285	10,771,397	47,758,297
Investment return:				
Investment income	212,059	380,407	-	592,466
Net appreciation (realized and unrealized)	1,775,579	3,058,493	-	4,834,072
Total investment return	1,987,638	3,438,900	-	5,426,538
Contributions	-	140,386	144,116	284,502
Appropriation of endowment assets of expenditure	-	(522,508)	-	(522,508)
Other changes:				
Transfers from board designated endowment funds	(10,645,745)	-	-	(10,645,745)
<b>Net assets at June 30, 2017</b>	<b>\$ 9,760,508</b>	<b>\$ 21,625,063</b>	<b>\$ 10,915,513</b>	<b>\$ 42,301,084</b>

**NOTE 10 - INVESTMENT PORTFOLIO AND ENDOWMENT (Continued)****Endowment Net Asset Composition by Type of Fund**

	<b>Unrestricted Institutional Assets and Board Designated</b>			
	<b>Endowment</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>June 30, 2017</b>				
Donor-restricted endowment funds	\$ (4,808)	\$ 21,625,063	\$ 10,915,513	\$ 32,535,768
Board designated endowment funds	9,765,316	-	-	9,765,316
Total funds	<u>\$ 9,760,508</u>	<u>\$ 21,625,063</u>	<u>\$ 10,915,513</u>	<u>\$ 42,301,084</u>
<b>June 30, 2016</b>				
Donor-restricted endowment funds	\$ (6,663)	\$ 18,568,285	\$ 10,771,397	\$ 29,333,019
Board designated endowment funds	18,425,278	-	-	18,425,278
Total funds	<u>\$ 18,418,615</u>	<u>\$ 18,568,285</u>	<u>\$ 10,771,397</u>	<u>\$ 47,758,297</u>

**NOTE 11 - FUNDRAISING EXPENSES**

The University expenses the costs associated with fundraising as incurred. Fundraising expenses totaled \$2,448,802 and \$2,708,939 for the years ended June 30, 2017 and 2016, respectively. They are reflected as part of institutional support in the statements of activities and changes in net assets.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES****Legal Contingencies**

In the normal course of business, the University is party to various matters involving disputes or litigation. While it is not possible at this time to determine the ultimate outcome of these matters, the administration believes, based on advice of legal counsel, that any ultimate liability will not be material to the financial statements.

**Retirement Plan**

The University maintains a tax-sheltered annuity plan that is available to employees on a voluntary basis. The total expenses for this plan were \$1,128,510 and \$1,154,426 for the years ended June 30, 2017 and 2016, respectively.

**Compliance Contingencies**

Amounts received by the University under federal and state financial assistance programs are subject to audit and adjustment by those grantor agencies. If expenses under those programs were to be disallowed as a result of such audits, the reimbursement to the federal or state government would be recorded as a liability of the University. In the opinion of the administration, any such adjustment, if any, would not be material to the University's financial statements or its financial assistance programs.

### **NOTE 13 - SUBSEQUENT EVENTS**

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through October 16, 2017, the date the financial statements were available to be issued. Other than those matters disclosed in the notes to the financial statements, there were no subsequent events that required recognition.

## **SUPPLEMENTAL INFORMATION**



Certified Public Accountants

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**  
**ON SUPPLEMENTAL INFORMATION**

To the Board of Trustees  
Bethune-Cookman University, Inc.  
Daytona Beach, Florida

We have audited the financial statements of Bethune-Cookman University, Inc. (the “University”) as of and for the fiscal years ended June 30, 2017 and 2016, and have issued our report thereon dated October 16, 2017, which contained an unmodified opinion on those financial statements. That report appears on pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information, shown on pages 28 and 29 related to the 2017 and 2016 financial statements, 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 2017 and 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 supplemental information is fairly stated, in all material respects, in relation to the financial statements for the years ended June 30, 2017 and 2016, as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of the University as of June 30, 2015, and the related statement of activities and changes in net assets, and cash flows for the year then ended (none of which is presented herein), and we expressed an unmodified opinion on those financial statements. That audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information shown on pages 28 and 29 related to the 2015 financial statements 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 2015 financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 supplemental information shown on pages 28 and 29 related to the 2015 financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

To the Board of Trustees  
Bethune-Cookman University, Inc.

The information related to the 2014 financial statements, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A.".

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
October 16, 2017

# BETHUNE-COOKMAN UNIVERSITY, INC.

## Statement of Financial Position of Unrestricted Net Assets, Exclusive of Plant Assets and Plant-Related Debt

### Modified Presentation in Accordance with Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) Core Requirement 2.11.1 (2)

#### Last Four Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,283,372	\$ 4,047,821	\$ 2,466,285	\$ 7,113,647
Investments	24,506,815	25,237,190	18,559,858	9,782,708
Student accounts receivable, net	3,187,036	5,269,083	8,401,162	7,417,196
Grants and student aid receivable	1,415,851	1,540,731	739,417	1,904,109
Prepaid expenses	1,509,882	266,975	532,385	172,118
Other assets	1,324,382	2,654,516	2,195,849	2,008,693
<b>TOTAL ASSETS</b>	<u>\$ 42,227,338</u>	<u>\$ 39,016,316</u>	<u>\$ 32,894,956</u>	<u>\$ 28,398,471</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,103,388	\$ 1,312,945	\$ 2,948,713	\$ 4,098,747
Accrued expenses and other liabilities	1,819,885	2,105,972	3,289,555	5,064,135
Student deposits	286,422	283,922	362,167	204,972
Deferred lease payments	-	-	3,201,620	6,877,440
Long-term debt	-	-	2,970,474	-
<b>TOTAL LIABILITIES</b>	<u>3,209,695</u>	<u>3,702,839</u>	<u>12,772,529</u>	<u>16,245,294</u>
<b>NET ASSETS</b>				
Unrestricted, exclusive of plant and plant-related debt	<u>39,017,643</u>	<u>35,313,477</u>	<u>20,122,427</u>	<u>12,153,177</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 42,227,338</u>	<u>\$ 39,016,316</u>	<u>\$ 32,894,956</u>	<u>\$ 28,398,471</u>

See Report of Independent Certified Public Accountants on Supplemental Information.

# BETHUNE-COOKMAN UNIVERSITY, INC.

## Statement of Changes in Unrestricted Net Assets, Exclusive of Plant

### Modified Presentation in Accordance with Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) Core Requirement 2.11.1 (2)

#### Last Four Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>TOTAL UNRESTRICTED NET ASSETS (Accrual Basis) - Per Audited Financial Statements</b>	\$ 89,221,504	\$ 88,274,399	\$ 70,418,737	\$ 61,620,916
Less: Property, plant and equipment	(72,538,164)	(77,928,149)	(159,621,403)	(156,148,569)
Less: Assets limited to plant	(3,562,651)	(3,601,795)	(2,325,027)	(3,117,176)
Add: Plant related debt	25,896,954	28,569,022	111,650,120	109,798,006
<b>Unrestricted Net Assets, not including plant and debt</b>	<u>39,017,643</u>	<u>35,313,477</u>	<u>20,122,427</u>	<u>12,153,177</u>
<b>REVENUES</b>				
Tuition and fees	54,252,078	57,021,941	53,471,564	55,033,633
Less scholarship allowance	(16,020,063)	(16,028,616)	(14,495,289)	(12,503,594)
Net tuition and fees	<u>38,232,015</u>	<u>40,993,325</u>	<u>38,976,275</u>	<u>42,530,039</u>
Auxiliary activities	20,925,670	20,054,554	20,312,125	24,430,641
Private gifts and grants	1,433,934	3,257,835	2,865,429	1,220,968
Investment income (loss)	3,109,228	482,211	(630,913)	2,083,559
Other income	1,278,778	1,068,776	1,636,465	1,969,123
Net assets released from restrictions	<u>13,757,382</u>	<u>16,202,758</u>	<u>14,013,388</u>	<u>16,057,489</u>
<b>TOTAL REVENUES</b>	<u>78,737,007</u>	<u>82,059,459</u>	<u>77,172,769</u>	<u>88,291,819</u>
<b>EXPENSES</b>				
Education and general:				
Instruction	22,511,336	23,398,116	25,327,333	25,281,889
Institutional support	17,633,637	21,583,591	28,448,579	28,308,479
Academic support	1,239,962	2,323,117	1,369,046	1,186,078
Operation and maintenance	8,674,828	10,694,572	8,931,950	8,130,100
Student services and activities	8,322,551	7,172,445	8,267,061	7,175,604
Research	-	222,799	234,343	636,269
Auxiliary activities	17,695,805	17,611,924	22,450,119	26,371,221
Add: Capital outlay net of debt	3,241,181	5,431,075	1,369,760	2,422,550
Add: Reduction in debt related to capital	1,420,056	1,840,508	642,134	2,644,263
Less: Depreciation	(4,301,854)	(4,514,522)	(4,676,506)	(5,895,384)
<b>TOTAL EXPENSES</b>	<u>76,437,502</u>	<u>85,763,625</u>	<u>92,363,819</u>	<u>96,261,069</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS, EXCLUSIVE OF PLANT</b>	<u>\$ 2,299,505</u>	<u>\$ (3,704,166)</u>	<u>\$ (15,191,050)</u>	<u>\$ (7,969,250)</u>

See Report of Independent Certified Public Accountants on Supplemental Information.



**BETHUNE-COOKMAN UNIVERSITY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND STATE FINANCIAL ASSISTANCE  
AND RELATED AUDIT REPORTS**

**Year Ended June 30, 2017**

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**BETHUNE-COOKMAN UNIVERSITY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**

**Year Ended June 30, 2017**

	<u>CFDA Number</u>	<u>Expenditures</u>
<b>Federal Awards</b>		
<b>U.S. Department of Education</b>		
Student Financial Assistance Cluster Direct:		
Federal Pell Grant Program	<b>84.063</b>	\$ 14,481,743
Federal Work-Study Program	<b>84.033</b>	471,410
Federal Supplemental Educational Opportunity Grants	<b>84.007</b>	691,429
Federal Direct Student Loans	<b>84.268</b>	39,939,840
Teacher Education Assistance for College and Federal Pell Grant Program	<b>84.379</b>	<u>19,556</u>
		<u>55,603,978</u>
Other Direct Programs:		
Higher Education - Institutional Aid	<b>84.031</b>	3,218,558
National Writing Project	<b>84.928</b>	(500)
Special Education - Personal Development (Project Child)	<b>84.325</b>	224,338
Indirect Programs:		
Pass-through from Stetson University - Excellence in Education (VCCE): Improving Teacher Quality State Grants	<b>84.367</b>	<u>21,162</u>
Total U.S. Department of Education		<u>59,067,536</u>
Research and Development Cluster:		
<b>National Science Foundation</b>		
Pass-through from Florida Agricultural and Mechanical University: Education and Human Resources	<b>47.076</b>	<u>263,507</u>
Total National Science Foundation		<u>263,507</u>
<b>U.S. Department of Defense</b>		
Military Medical Research and Development	<b>12.420</b>	<u>6,165</u>
Total U.S. Department of Defense		<u>6,165</u>
Total Research and Development Cluster		<u>269,672</u>
<b>U.S. Department of Commerce</b>		
Pass-through from Florida Agricultural and Mechanical University: NOAA Center for Coastal and Marine Ecosystems	<b>11.481</b>	<u>116,686</u>
Total U.S. Department of Commerce		<u>116,686</u>
<b>U.S. Department of Justice</b>		
Pass-through from University of Florida: Juvenile Justice and Delinquency Prevention	<b>16.540</b>	<u>(39)</u>
Total U.S. Department of Justice		<u>(39)</u>
<b>National Endowment for the Humanities</b>		
Promotion of the Humanities-Teaching and Learning Resources and Curriculum Development	<b>45.162</b>	<u>4,381</u>
Total National Endowment for the Humanities		<u>4,381</u>

*Continued on next page*

**BETHUNE-COOKMAN UNIVERSITY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (Continued)**

**Year Ended June 30, 2017**

	<u>CFDA Number</u>	<u>Expenditures</u>
<b>Federal Awards (Continued)</b>		
<b>Institute of Museum and Library Services</b>		
Museum Grants for African American History and Culture	<b>45.309</b>	\$ 54,165
Total Institute of Museum and Library Services		<u>54,165</u>
<b>Environmental Protection Agency</b>		
Pass-through from Florida Department of Environmental Protection: Nonpoint Source Implementation	<b>66.460</b>	126,651
Total Environmental Protection Agency		<u>126,651</u>
<b>U.S. Department of Health and Human Services</b>		
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	<b>93.104</b>	344,990
Minority Health and Health Disparities Research	<b>93.307</b>	173,520
Biomedical Research and Research Training	<b>93.859</b>	55,566
Total U.S. Department of Health and Human Services		<u>574,076</u>
Total Expenditures of Federal Awards		<u>60,213,128</u>

*Continued on next page*

**BETHUNE-COOKMAN UNIVERSITY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (Continued)**

**Year Ended June 30, 2017**

	<u>CSFA Number</u>	<u>Expenditures</u>
<b>State Financial Assistance</b>		
<b>Florida Department of Education</b>		
Student Aid:		
Florida Resident Access Grant	48.064	\$ 5,694,000
Florida Student Assistance Grant	48.054	1,542,964
Mary McLeod Bethune Scholarship	48.050	156,000
Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members	48.055	57,381
Florida Bright Futures Scholarship Program	48.059	53,815
Total Florida Department of Education - Student Aid		<u>7,504,160</u>
Historically Black Private Colleges	48.001	5,528,179
Pass-through from Florida Agricultural and Mechanical University: Black Male Explorers	48.040	110,359
Total Florida Department of Education		<u>13,142,698</u>
<b>Florida Department of Economic Opportunity</b>		
Bethune-Cookman University Entrepreneurship Institute	40.012	125,238
Total Florida Department of Economic Opportunity		<u>125,238</u>
<b>Florida Department of Highway Safety and Motor Vehicles</b>		
Bethune-Cookman University License Plate Project	76.009	131,183
Total Florida Department of Highway Safety and Motor Vehicles		<u>131,183</u>
<b>Florida Department of Juvenile Justice</b>		
Pass-through from University of Florida: Delinquency Child Educational Project	80.016	86,768
Total Florida Department of Juvenile Justice		<u>86,768</u>
Total Expenditures of State Financial Assistance		<u>13,485,887</u>
Total Expenditures of Federal Awards and State Financial Assistance		<u>\$ 73,699,015</u>

*See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.*

# **BETHUNE-COOKMAN UNIVERSITY, INC.**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**Year Ended June 30, 2017**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The purpose of the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") is to present, in summary form, total federal award expenditures and state financial assistance received by Bethune-Cookman University, Inc. (the "University") for the year ended June 30, 2017, that have been funded under various federal award programs and state financial assistance projects. The Schedule is prepared on the accrual basis of accounting. Because the Schedule presents only a select portion of the activities of the University, it is not intended to, and does not, present the total expenditures of the University.

### **NOTE 2 - CONTINGENCY**

The grant revenue amounts received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agencies as a result of such an audit, any claim or reimbursement to the grantor agencies would become a liability of the University. In the opinion of the University's administration, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

### **NOTE 3 - FEDERAL FAMILY EDUCATION LOAN PROGRAM**

The University processed loans, for which the transactions are between the student and an outside third party, under the Federal Family Education Loan ("FFEL") Program (which includes subsidized Stafford Loans, Parents' Loans for Undergraduate Students, and unsubsidized Stafford Loans). The amount of loans processed by the University for the year ended June 30, 2017 was \$39,939,840.

The University is responsible only for the performance of certain administrative duties with respect to these loans and, accordingly, balances and transactions related to this loan program are not included in the University's basic financial statements. Therefore, it is not practical to determine the balance of loans outstanding to students and former students of the University at June 30, 2017.

### **NOTE 4 - INDIRECT COST RATE ELECTION**

The University did not elect to use the de minimis rate of 10% for determining indirect cost amounts for its federal programs.



Certified Public Accountants

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL***

To the Board of Trustees  
Bethune-Cookman University, Inc.  
Daytona Beach, Florida

**Report on Compliance for Each Major Federal Program and Major State Project**

We have audited the compliance of Bethune-Cookman University, Inc. (the “University”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Compliance Supplement* and Department of Financial Services *State Compliance Supplement* that could have a direct and material effect on each of the University’s major federal programs and major state projects for the year ended June 30, 2017. The University’s major federal programs and major state projects are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on the University’s compliance based on our audit. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (“Uniform Guidance”); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, 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 or major state project identified in the accompanying Schedule of Findings and Questioned Costs occurred. An audit includes examining, on a test basis, evidence about the University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Trustees  
Bethune-Cookman University, Inc.

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

### ***Opinion on Each Major Federal Program and Major State Project***

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

### **Report on Internal Control over Compliance**

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on each major federal program or major state project 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 major state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project 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 or state project 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 or state project 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 and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



To the Board of Trustees  
Bethune-Cookman University, Inc.

**Report on Schedule of Expenditures of Federal Awards and State Financial Assistance  
Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General***

We have audited the financial statements of the University as of and for the year ended June 30, 2017, and have issued our report thereon dated October 16, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis, as required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, 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 and State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.



**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
March 30, 2018

**BETHUNE-COOKMAN UNIVERSITY, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2017**

**Section I - Summary of Independent Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued:

**Unmodified Opinion**

Internal control over financial reporting:

- Material weakness(es) identified?      Yes   X   No
- Significant deficiency(ies) identified?   X   Yes      None reported
- Noncompliance material to financial statements noted?      Yes   X   No

**Federal Awards and State Financial Assistance**

Internal control over major federal programs and major state projects:

- Material weakness(es) identified?      Yes   X   No
- Significant deficiency(ies) identified?      Yes   X   None reported

Type of report issued on compliance for major federal programs and major state projects:

**Unmodified Opinion**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance or Chapter 10.650, *Rules of the Auditor General*?

     Yes   X   No

**Identification of Major Federal Programs and Major State Projects:**

**CFDA Numbers**

**Name of Federal Programs**

84.063, 84.033, 84.007, 84.268, 84.379 84.031	Student Financial Aid Cluster Higher Education – Institutional Aid
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**CSFA Numbers**

**Name of State Projects**

48.050 48.054 48.055  48.059 48.064	Mary McLeod Bethune Scholarship Florida Student Assistance Grant Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members Florida Bright Futures Scholarship Program Florida Resident Access Grant
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**BETHUNE-COOKMAN UNIVERSITY, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**Year Ended June 30, 2017**

**Section I - Summary of Independent Auditor's Results (Continued)**

Dollar threshold used to distinguish between  
Type A and Type B programs:

Federal:	\$ 750,000
State:	\$ 404,577

Auditee qualified as low-risk auditee for federal  
purposes?  Yes  No

**Section II - Financial Statement Findings**

**Financial Statement Finding 2017-001 – Credit Card Purchases**

**Type of Finding – Significant Deficiency**

**Condition:**

During our testing of cash disbursements, we noted that, compared to the our prior audit, the University made improvements to its credit card purchasing process by reducing the number of credit card users and instituting stronger controls over credit card spending limits. However, we still noted purchases paid for with University credit cards where receipts were not retained or submitted to the Accounts Payable department. We also noted that the University's policies and procedures over the use of credit cards had not been updated since January 2009.

**Criteria:**

Internal controls over credit cards should include formalized procedures and strong oversight to ensure that the cards are not misused.

**Cause:**

The University experienced turnover in key financial leadership positions and was still in the process of updating policies and procedures over University credit cards during fiscal year 2017.

**Effect:**

A weak control environment over University credit cards increases the potential for unauthorized purchases.

**Recommendation:**

We recommend that the University update its policies and procedures over the use of credit cards and require accountability from all credit card users, including requirements to retain all purchase receipts and documenting the business purpose of every purchase.

**BETHUNE-COOKMAN UNIVERSITY, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)***

**Year Ended June 30, 2017**

**Section II - Financial Statement Findings *(Continued)***

**Financial Statement Finding 2017-001 – Credit Card Purchases *(Continued)***

**Views of Responsible Officials and Planned Corrective Actions:**

The University has an Accounting Policy and Procedure manual (January 2009, p. 14) which addresses credit card usage. The number of active credit card holders has been reduced by approximately 75% to manage executive travel and purchases. A tenured, senior-level employee has been assigned to manage travel expenses and credit card activity. An updated travel and credit card policy has been developed and will be implemented with training to all card holders and department administrative liaisons by December 31, 2017.

**Section III - Federal Award and State Financial Assistance Findings and  
Questioned Costs Section**

None Reported.

**BETHUNE-COOKMAN UNIVERSITY, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2017**

**PRIOR YEAR AUDIT FINDINGS**

**Financial Statement Finding**

***FS 2016-001: Financial Reporting Process***

**Condition:**

This finding was a significant deficiency related to the University's financial statement reporting process stating that significant delays were experienced in the closing of the general ledger and audit adjustments were identified that were not detected by the University's closing process.

**Recommendation:**

The auditor recommended that management review its procedures for key processes and implement policies and procedures to ensure that significant accounts are properly reconciled on a monthly basis and the general ledger is closed within 3 - 4 weeks following year-end for accurate and timely reporting.

**Current Status:**

Resolved.



Certified Public Accountants

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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  
Bethune-Cookman University, Inc.  
Daytona Beach, Florida

We have audited the financial statements of Bethune-Cookman University, Inc. (the “University”) as of and for the year ended June 30, 2017, and have issued our report thereon dated October 16, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a significant deficiency.

To the Board of Trustees  
Bethune-Cookman University, Inc.

### **Compliance and Other Matters**

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

### **University's Response to Finding**

The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to 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 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.



**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
October 16, 2017