
AMERICAN BAPTIST COLLEGE

**INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)



AMERICAN BAPTIST COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
American Baptist College
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of *American Baptist College* (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *American Baptist College* as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

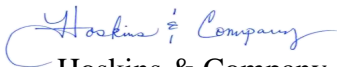
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021, on our consideration of *American Baptist College's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *American Baptist College's* internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the American Baptist College's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Hoskins & Company

Nashville, TN

February 12, 2021

AMERICAN BAPTIST COLLEGE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(with comparative totals as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,547,542	\$ 751,788
Investments - without donor restrictions (Note 2)	182,761	2,435
Investments - with board designated restrictions (Note 2)	356,909	358,639
Other investments -with donor restrictions with purpose (Note 2)	720,821	697,314
Student accounts receivable, net of allowance (Note 4)	221,295	221,887
Other current receivable (Note 5)	186,490	127,918
Other current assets (Note 6)	-	12,113
Total current assets	<u>3,215,818</u>	<u>2,172,094</u>
Endowment investments (Note 2)		
Cash	5,191	5,185
Investments	<u>762,593</u>	<u>737,201</u>
Total endowment investments	<u>767,784</u>	<u>742,386</u>
Property and equipment, net of accumulated Depreciation and amortization (Note 7)	<u>4,652,749</u>	<u>4,956,390</u>
Total assets	<u><u>\$ 8,636,351</u></u>	<u><u>\$ 7,870,870</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and credit cards (Note 11)	19,192	208,899
Deferred revenue	471,167	-
Current portion of notes payable (Note 9 and 10)	2,611,165	241,967
Line of credit (Note 8)	-	100,000
PPP Loan (Note 12)	357,718	-
Deferred revenue - CARES Act	<u>32,573</u>	<u>-</u>
Total current liabilities	<u>3,491,815</u>	<u>550,866</u>
Long-term liabilities		
Notes payable (Note 9 and 10)	<u>301,589</u>	<u>2,872,773</u>
Total long-term liabilities	<u>301,589</u>	<u>2,872,773</u>
Total liabilities:	<u>3,793,404</u>	<u>3,423,639</u>
Net assets:		
Net assets without donor restrictions (Note 16)	(163,947)	246,946
Net assets with donor restrictions (Note 16)	<u>5,006,894</u>	<u>4,200,285</u>
Total net assets	<u>4,842,947</u>	<u>4,447,231</u>
Total liabilities and net assets	<u><u>\$ 8,636,351</u></u>	<u><u>\$ 7,870,870</u></u>

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

AMERICAN BAPTIST COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(with comparative totals as of June 30, 2019)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	2019 Totals
Revenues and Support				
Educational				
Tuition and fees	\$ 865,734	\$ -	\$ 865,734	\$ 946,022
Housing	131,901	-	131,901	141,464
Meals	68,715	-	68,715	90,352
Total educational	1,066,350	-	1,066,350	1,177,838
Private gifts and contributions	280,532	846,979	1,127,511	156,472
Church donations	86,480	-	86,480	78,793
Board of trustees	25,100	-	25,100	27,469
Scholarships	113,908	-	113,908	84,510
Endowment contributions	-	133,913	133,913	-
Government grants	12,029	-	12,029	80,000
Fed grants	1,851,283	-	1,851,283	2,287,822
Fundraising	32,270	-	32,270	78,050
CARES Act Grant	303,532	-	303,532	-
Other income	58,931	-	58,931	62,826
Interest and investment income	5,827	50,077	55,904	34,396
Realized (loss) gain on sale of investments	(7,042)	1,306	(5,736)	9,374
Unrealized gain on investments	-	3,421	3,421	27,422
Net assets released from restriction	229,087	(229,087)	-	-
Total revenues and support	4,058,287	806,609	4,864,896	4,104,972
Expenses				
Program services	2,307,228	-	2,307,228	2,174,991
General and administrative	1,714,625	-	1,714,625	1,934,114
Institutional advancement	401,575	-	401,575	279,232
Total expenses	4,423,428	-	4,423,428	4,388,337
Change in net assets	(365,141)	806,609	441,468	(283,365)
Prior Year Adjustment (Note 19)	(45,752)	-	(45,752)	-
Net assets at beginning of year	246,946	4,200,285	4,447,231	4,730,596
Net assets at end of year	\$ (163,947)	\$ 5,006,894	\$ 4,842,947	\$ 4,447,231

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

AMERICAN BAPTIST COLLEGE
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2020
(with comparative totals as of June 30, 2019)

	Program Services	General and Administrative	Institutional Advancement	Total Expenses	2019 Total Expenses
Accounting fees	\$ -	\$ 12,795	\$ -	\$ 12,795	\$ 32,670
Amortization	42,149	-	-	42,149	12,113
Advertising and promotion	-	-	13,516	13,516	9,132
Bad debt	-	141,130	-	141,130	58,522
Conference, conventions, and meetings	8,533	-	-	8,533	32,820
Contracted services	480,042	143,040	176,791	799,873	945,444
Depreciation	372,816	-	-	372,816	385,953
Employee benefits	26,196	16,325	-	42,521	56,075
Equipment	14,239	-	-	14,239	81,669
Information technology	-	29,301	-	29,301	14,057
Interest	-	143,408	-	143,408	180,862
Legal fees	-	-	-	-	5,812
Occupancy	-	302,947	-	302,947	306,572
Office expense	34,980	12,727	3,250	50,957	65,221
Officers' compensation	-	293,700	-	293,700	240,700
Other expenses	3,034	-	-	3,034	6,499
Payroll taxes	90,344	41,142	9,559	141,045	116,655
Payments to affiliates	90,863	101,857	18,283	211,003	112,001
Salaries and wages	1,058,950	462,724	128,208	1,649,882	1,608,829
Special events	-	-	51,968	51,968	-
Travel	41,582	13,529	-	55,111	116,731
Cares Act Students Aid	43,500	-	-	43,500	-
	<u>\$ 2,307,228</u>	<u>\$ 1,714,625</u>	<u>\$ 401,575</u>	<u>\$ 4,423,428</u>	<u>\$ 4,388,337</u>

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

AMERICAN BAPTIST COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(with comparative totals as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase (Decrease) in net assets	\$ 441,468	\$ (283,365)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	372,816	385,953
Amortization of loan financing costs	12,113	12,113
Net realized and unrealized gain from investment	2,315	36,796
Decrease (increase) in student accounts receivable	592	(36,517)
Increase in other current receivable	(58,572)	(112,392)
Decrease in accounts payable - overdraft	-	(1,159,553)
(Decrease) increase in accounts payable	(189,707)	127,796
Increase deferred revenue	471,167	-
Increase in CARES Act payable	32,573	-
Net cash provided by (used by) operating activities	<u>1,084,765</u>	<u>(1,029,169)</u>
Cash flows from investing activities		
Purchase of fixed assets	(69,176)	(368,286)
Purchase of investments	(275,567)	(107,990)
Net cash used in investing activities	<u>(344,743)</u>	<u>(476,276)</u>
Cash flows from financing activities		
Proceeds from (payments) to line of credit	(100,000)	100,000
Principal payments on notes	(201,986)	(236,387)
Proceeds from PPP Loan	357,718	-
Net cash provided by (used in) financing activities	<u>55,732</u>	<u>(136,387)</u>
Net change in cash equivalents	795,754	(1,641,832)
Cash and cash equivalents at beginning of year	751,788	2,393,620
Cash and cash equivalents at end of year	<u><u>\$ 1,547,542</u></u>	<u><u>\$ 751,788</u></u>
Interest Paid	<u><u>\$ 143,408</u></u>	<u><u>\$ 180,862</u></u>

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

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 1--- NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

American Baptist College (the "College") was founded in 1924. Since 1971, the College has been an accredited member of the Association for Biblical Higher Education (ABHE); approved to award the Associate of Arts, Bachelor of Arts, and Bachelor of Theology degrees.

The mission statement of the College is to educate, graduate and prepare diverse students with a liberal arts emphasis for Christian leadership, service and social justice in the world. The College offers a quality educational program with a liberal arts emphasis, equipping diverse students intellectually, morally, spiritually, socially, and theologically. The College offers undergraduate and graduate degree programs at its Nashville, Tennessee campus and globally on-line. Its fields of study include a mandatory divisional major in Biblical-Theological Studies and additional majors in Pastoral Studies, Christian Education or Social Sciences.

Basis of Presentation

The College's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Based on the existence or absence of donor-imposed restrictions, the College classifies resources into two categories: without donor restrictions and with donor restrictions.

Without Donor Restrictions – Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donors' stipulations results in the release of such restrictions.

With Donor Restrictions – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the College. Net assets with donor restrictions are designated by donors for specific purposes, and include unconditional pledges, split-interest agreements, interests in trusts held by others, and accumulated appreciation on donor-restricted endowments which have not been appropriated by the Board of Trustees (the "Board") for distribution. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the College to use a portion of the income earned on the related investments for specified purposes.

Expirations of restrictions on net assets as the result of the passage of time and/or fulfilling donor-imposed stipulations are reported as net assets released from restrictions between the applicable classes of net assets in the statements of activities.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 1--- NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Receivables

Student receivables consist of amounts due to the College related to tuition and fees. An allowance for uncollectible accounts has been recorded based upon management's judgment and historical bad debt experience. The College performs a periodic analysis of outstanding accounts receivable from students to assess the likelihood of collection. For balances on which full payment of amounts owed is not expected, the College establishes an allowance to adjust the balance of the receivable to reflect its best estimate of the amount that will ultimately be collected.

Revenue Recognition

Revenues from Contracts with Customers, the College identifies a contract for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance, and the collectability of the consideration is probable. The College evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. Performance obligations are determined based on the nature of the services provided by the College.

The College's primary source of revenues from contracts with customers are as follows:

Tuition and Fees - Tuition and fees are derived from academic services rendered by the College. The College recognizes revenue for academic services over the applicable academic terms. Scholarships provided to students by the College are reflected as a reduction of gross tuition and fees. Tuition and fees received in advance of services are reported as deferred revenue in the statement of financial position.

Auxiliary Enterprises - Sales and services of auxiliary enterprises primarily include housing, food services, a bookstore, and other events. The College recognizes revenue for housing and food services proportionally over the applicable academic term. Fees related to housing and food received in advance of services are reported as deferred revenue in the statement of financial position. The College recognizes revenue from other sales and services of auxiliary enterprises at the point in time sales occur or as services are rendered.

Other Revenue - The College recognizes revenue from other sources as the related services are provided and/or amounts are otherwise earned upon satisfaction of the performance obligation in accordance with the terms of the underlying agreements.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 1--- NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The College's receivables represent unconditional rights to consideration from its contracts with customers. Payment is due immediately once a customer is invoiced for tuition, fees, auxiliary services, and other sources.

The College does not present information about outstanding performance obligations as of year-end because its contracts with customers all had original terms of less than one year. The College does not have any contract assets. The College had no costs that were capitalized to obtain or to fulfill a contract with a customer.

The College's contract liabilities are presented as a deferred revenue in the statement of financial position. Deferred revenue in any period represents the excess of customer payments received over amounts recognized as revenue on the statement of activities.

The College maintains an institutional tuitional refund policy, which provides for all, or a portion of, tuition and fees to be refunded if a student withdraws during the stated refund period. The College does not record revenue for amounts that may be refunded.

During March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which has continued to spread rapidly and significantly affects local and worldwide economic activity and well-being. The rapid development and fluidity of the situation has created uncertainties while the pandemic persists. The College issued housing and board credits when the spring 2020 semester shifted to remote learning because of the COVID-19 pandemic.

Contributions Receivable and Revenue

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until donor stipulations are met. Contributions of assets other than cash are recorded at their estimated fair value.

An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution, and other relevant factors.

Comparative Financial Statements

The summarized financial information shown for fiscal year 2019 in the accompanying statement of financial position, statement of activities, statement of functional expenses, and statement of cash flows is included to provide a basis for comparison with fiscal year 2020.

**AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 1--- NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contracts

The College records revenues related to grants and contracts in two portfolio categories based on the source of the funds:

Governmental Grants and Contracts - provide funding for the College largely to advance academic benefit in direct support of the College's mission. The College primarily considers these sponsored research agreements to be contributions (nonreciprocal transactions). The College recognizes grant and contract revenue associated with contributions from government sponsors as earned when the conditions are met (allowable expenses have been incurred). Additionally, occasionally a small portion of government-sponsored awards qualifies as exchange (reciprocal) transactions. The transaction price for exchange transactions is the stated amount of the award. The College recognizes grants and contracts revenue related to these exchange transactions at the time services are provided.

Private Gifts and Grants - consist of private agencies, professional associations, private foundations, corporate foundations and corporations and may be either donors or sponsors depending on the nature, intent, and expectations of the funding they are providing. The College recognizes revenue associated with contributions from private sponsors as the conditions are met. Additionally, some private sponsor awards qualify as exchange (reciprocal) transactions. The transaction price for exchange transactions is the stated amount of the award. The College recognizes grants and contracts revenue related to these exchange transactions at the time services are provided.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, to disclose contingent assets and liabilities at the date of the financial statements, and to report amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The College is operated as a tax-exempt organization as described under Section 501(c) (3) of the Internal Revenue Code and is therefore exempt from Federal and State income taxes. Accordingly, no provisions for income taxes have been recorded.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 1--- NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include checking and savings accounts, money market accounts, and certificate of deposits with maturities of three months or less. (See Note 16 regarding the credit risk associated with cash and cash equivalents.) The College has classified as restricted, certain cash and cash equivalents that are not available for use in its operations. (See Note 2 and Note 8)

Investments

Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Property, Plant and Equipment

Land, buildings, building improvements, library holdings, equipment and furniture acquisitions are recorded at cost, or if contributed, at fair market value at the date of gift. Depreciation, and amortization which is reflected as an expense in the statement of activities, is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture and equipment	3—10
Building and grounds	10—39
Library books	3—10
Enrollment Software	5—10

Deferred Revenues

The College records receipts obtained before service is rendered as a liability.

Compensated Absences

Employees of the College are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. The College's policy is vacation time must be taken during the year and cannot be carried over to the next year ; accordingly no liability for compensated absences has been recorded in the accompanying financial statements.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 1--- NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Management allocates expenses among its various functional areas according to the purpose or function for which they are incurred. Expenses that are identifiable with a specific program are assigned directly to the specific program by natural expenditure classification. Other expenses that are common to several programs and supporting activities are allocated based on objective, reasonable, rational and systematic established methodology.

NOTE 2---INVESTMENTS

The College's investment as of June 30, 2020 and June 30, 2019, consists of the following:

<u>Unrestricted Investment</u>	<u>2020</u>		<u>2019</u>	
	Fair Value	Cost	Fair Value	Cost
Certificate of Deposits and Mutual Funds	<u>\$ 182,761</u>	<u>\$ 182,761</u>	<u>\$ 2,435</u>	<u>\$ 2,435</u>

Board Designated Investments

	<u>2020</u>		<u>2019</u>	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	<u>\$ 356,909</u>	<u>\$ 336,831</u>	<u>\$ 358,639</u>	<u>\$331,004</u>

Donor Restricted- With a Purpose

	<u>2020</u>		<u>2019</u>	
	Fair Value	Cost	Fair Value	Cost
Mutual funds and Certificates of Deposit	<u>\$ 720,821</u>	<u>\$ 508,298</u>	<u>\$ 697,314</u>	<u>\$507,063</u>

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 2---INVESTMENTS (CONTINUED)

Endowment Investment

Boddie Chair of Excellence

The Boddie Chair of Excellence was established on September 12, 1989, as an independent corporation of the First Baptist Church Huntsville (*Huntsville, Alabama*) and First Baptist Church Capitol Hill (*Nashville, Tennessee*). The original corpus is to remain untouched and only the interest and dividends are used for the payment of salaries to the faculty member designated as the Chair of Excellence Scholar.

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash	\$ 5,191	\$ 5,191	\$ 5,185	\$ 5,185
Mutual funds	<u>489,044</u>	<u>328,910</u>	<u>470,386</u>	<u>328,910</u>
	\$ 494,235	\$ 334,101	\$ 475,571	\$ 334,095

Friends of American Baptist College Library

The Friends of American Baptist College Library was established in 1996, as an independent corporation. The original corpus is to remain untouched and only the interest and dividends are used to provide books, periodicals, supplies, software and equipment for the library.

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 145,268	\$ 133,810	\$ 143,596	\$ 134,671

**AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 2---INVESTMENTS (CONTINUED)

The Wardin Scholarship Fund

The Wardin Scholarship Fund was established by Albert and Lucile Wardin for scholarships. Only income from the fund shall be paid to the College for scholarships. However, no income shall be drawn until the fund has reached a total of \$100,000.

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 128,281	\$ 118,964	\$ 123,219	\$ 119,016
<u>Total Endowment Funds</u>				
	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<i>Total Endowment Funds</i>	<u>\$ 767,784</u>	<u>\$ 586,875</u>	<u>\$ 742,386</u>	<u>\$ 587,782</u>

Investment revenues are reported net of related fees which were \$2,075 and \$1,865 for the years ended June 30, 2020 and June 30, 2019.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 3---LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and cash equivalents	\$ 1,730,303	\$ 754,222
Students accounts receivable, net of allowance for doubtful accounts	221,295	221,887
Other current receivable	186,490	127,918
Donor restricted endowment funds held in perpetuity	767,784	742,386
Board designated investments	356,909	358,639
Other investments (with donor purpose restrictions)	720,821	697,314
Total financial assets	<u>\$ 3,983,602</u>	<u>\$ 2,902,366</u>
Less assets unavailable for general expenditures within one year:		
Donor restricted endowment funds held in perpetuity	767,784	742,386
Board designated investments	356,909	358,639
Restricted by donors with purpose restrictions	4,239,109	3,457,899
Total assets unavailable for general expenditures within one year	<u>5,363,802</u>	<u>4,558,924</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ (1,380,200)</u></u>	 <u><u>\$ (1,656,558)</u></u>

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 4---ACCOUNTS RECEIVABLE

Student accounts receivable is recorded as follows:

	2020	2019
Student accounts receivable	\$ 440,426	\$ 316,747
Vision 100 Scholarships	(38,193)	(18,052)
Presidential Scholarships	(95,562)	(58,535)
Philanthropic	(2,752)	
Less: allowance for doubtful accounts	<u>(82,624)</u>	<u>(18,273)</u>
Total	<u>\$ 221,295</u>	<u>\$ 221,887</u>

NOTE 5---OTHER CURRENT RECEIVABLES

Other receivables consist consisted of pledges receivable. The amount due at June 30, 2020 and June 30, 2019 was \$186,490 and \$127,918, respectively.

NOTE 6 – OTHER CURRENT ASSETS

The loan detailed in Note-10 incurred \$60,565 in loan fees, including origination fee and other charges. The College amortized the financing cost over the life of the loan which is 5 years, using the straight-line method. The outstanding balance of loan financing cost at June 30, 2020 and 2019, were \$0 and \$12,113, respectively.

NOTE 7---PROPERTY, PLANT AND EQUIPMENT

Fixed assets consist of the following:

	2020	2019
Land	\$ 20,000	\$ 20,000
Building and grounds	7,083,587	7,083,587
Equipment and furniture	994,469	939,861
Library books	1,063,881	1,049,313
Enrollment management software	322,523	322,523
Less: accumulated depreciation and amortization	<u>(4,831,711)</u>	<u>(4,458,894)</u>
	<u>\$ 4,652,749</u>	<u>\$ 4,956,390</u>

Depreciation and amortization expense for the years ended June 30, 2020 and June 30, 2019 was \$372,816 and \$385,953, respectively.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 8---LINE OF CREDIT

The college renewed its \$100,000 line of credit which matured on November 30, 2018 with an interest rate of prime plus 2.25% and a maturity date of February 28, 2019. The balance on the line of credit as of June 30, 2020 and June 30, 2019 were \$0 and \$100,000 respectively.

NOTE 9—BUSINESS LOAN NOTE PAYABLE

The College has a \$3,400,000 business loan with a financial institution with an interest rate of 5% and a maturity date of May 19, 2020. The loan is secured by all buildings, structures and improvements, including all equipment, machinery, fixtures, furnishings, goods and personal property. Additional security includes title and interest in all leases, tenant contracts, rental agreements and other similar agreements. The original promissory note was dated December 05, 2014, with a maturity date of May 05, 2015. The loan is payable in monthly installments of \$26,887 beginning June 19, 2015, included principal and interest with final payment due on May 19, 2020. The current loan maturity was extended through August 17, 2020 while the terms of a new loan are negotiated. The loan balance as of June 30, 2020 and June 30, 2019 was \$2,559,215 and \$2,716,212, respectively.

Based on the extension, the entire balance of \$2,559,215 is due in the upcoming year.

NOTE 10--- OTHER NOTES PAYABLE

The College has a mortgage obligation to a financial institution bearing interest at 4.76%. The loan is collateralized by a Deed of Trust covering real estate located at 1823 Haynes Meade Ct, Nashville, TN 37207. The College used the mortgage to finance the purchase of the property. The loan balance as of June 30, 2020 and June 30, 2019 was \$25,838 and \$29,841 respectively.

Loan maturities for each of the next five years are as follows:

2021	\$	3,726
2022		3,907
2023		4,097
2024		4,296
2025		4,505
Thereafter		5,307
	\$	<u>25,838</u>

The College entered into a loan agreement bearing an interest rate of 6.37% for the purchase of a vehicle with a balance of \$0 and \$1,095 as of June 30, 2020 and June 30, 2019, respectively. Future maturities are as follows:

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 10--- OTHER NOTES PAYABLE (CONTINUED)

The College has an unsecured \$500,000 business loan with a financial institution with an interest rate of 5.1% and a maturity date of May 24, 2026 with a balance of \$329,644 and \$367,591 as of June 30, 2020 and June 30, 2019, respectively. Future maturities are as follows:

	<u>2020</u>
2021	\$ 48,225
2022	50,742
2023	53,392
2024	56,179
2025	59,112
Thereafter	<u>61,994</u>
Total	<u>\$ 329,644</u>

Total notes payable as of June 30, 2020 was \$2,912,754 with \$2,611,165 being current and \$301,589 being non-current.

NOTE 11--- ACCOUNTS PAYABLE AND CREDIT CARDS

The College maintains five revolving credit plans with interest rates ranging from 10.99% to 29.99%. Five of the credit plans have a total credit limit of \$203,200. The balance of these plans at June 30, 2020 and June 30, 2019 was \$10,000 and \$68,756, respectively.

NOTE 12---PPP LOAN

On April 23, 2020, The Organization was granted a loan from Fourth Capital in the aggregate amount of \$357,718, pursuant to the Paycheck Protection Program (the "PPP") under the Division A, Title of the CARES Act, which was enacted March 27, 2020.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The College intends to use the proceeds for purposes consistent with the PPP. While the College currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the College to be ineligible for forgiveness of the loan, in whole or in part.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 13—OPERATING LEASES

The College leases certain office equipment under the terms of an operating lease. Equipment rental expense for the year ended June 30, 2020 was \$30,400. Future minimum lease payments are as follows:

2021	32,933
2022	<u>4,175</u>
Total	<u>\$ 37,108</u>

NOTE 14---ENDOWMENT FUNDS

ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) and requires additional disclosures about an organization’s endowment funds. The College’s endowment consists of approximately 600 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The College has interpreted UPMIFA as the prudent 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 net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (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, and (d) the remaining portion of the donor-restricted endowment 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 donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the College and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the College
- g. The College’s investment policies

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 14---ENDOWMENT FUNDS (CONTINUED)

Changes in endowment and other net assets for the fiscal year ended June 30, 2020 are as follows:

	Purpose/Time Restrictions	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ -	\$ 742,386	\$ 742,386
Investment return:			
Investment income	-	5,191	5,191
Net appreciation	-	20,207	20,207
Total investment increase	-	25,398	25,398
Contributions	-	-	-
Less: Investment return used for operation	-	-	-
Endowment net assets, end of year	\$ -	\$ 767,784	\$ 767,784

Changes in endowment and other net assets for the fiscal year ended June 30, 2019 are as follows:

	Purpose/Time Restrictions	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ -	\$ 704,700	\$ 704,700
Investment return:			
Investment income	-	5,185	5,185
Net appreciation	-	32,501	32,501
Total investment increase	-	37,686	37,686
Contributions	-	-	-
Less: Investment return used for operation	-	-	-
Endowment net assets, end of year	\$ -	\$ 742,386	\$ 742,386

Funds with Deficiencies:

The fair value of assets associated with individual donor-restricted endowment funds, from time to time, may fall below the level that the donor or UPMIFA (as enacted by the State of Tennessee) requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2020 and June 30, 2019.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 15---FAIR VALUE MEASUREMENT

Effective July 1, 2008, the College adopted the provisions of FASB ASC 820-10, Fair Value Measurement. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. Fair value is the price that the College would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820-10 does not change existing guidance as to whether an asset or liability is carried at fair value or not. FASB ASC 820-10 also establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable (based on independent, observable market sources) or unobservable (reflecting the College's own assumptions about assumptions that market participants would use in pricing the asset or liability, based upon the best information available in the circumstances).

Each asset or liability is assigned a level based upon the observability of the significant inputs into its valuation, a summary of which is:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the College has the ability to access at measurement date.
- Level 2 – Other significant observable inputs, including quoted prices for similar assets or liabilities.
- Level 3 – Significant unobservable inputs including the College's own assumptions.

The following is a summarization of the College's financial assets measures at fair value:

Fair Value Measurements at Reporting Date Using

	Total 2020	Quoted price in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 748,361	\$ 748,361	\$ -	\$ -
Fixed Income	333,379	333,379	-	-
Equities	807,233	807,233	-	-
Alternative Assets	109,603	109,603	-	-
Total investments	<u>\$ 1,998,576</u>	<u>\$ 1,998,576</u>	<u>\$ -</u>	<u>\$ -</u>

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 15---FAIR VALUE MEASUREMENT (CONTINUED)

Fair Value Measurements at Reporting Date

	Total 2019	Quoted price in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 599,175	\$ 599,175	\$ -	\$ -
Fixed Income	296,590	296,590	-	-
Equities	764,230	764,230	-	-
Alternative Assets	140,781	140,781	-	-
Total investments	<u>\$ 1,800,776</u>	<u>\$ 1,800,776</u>	<u>\$ -</u>	<u>\$ -</u>

The fair values of investments in publicly traded mutual funds and publicly traded securities are determined based upon quoted market closing prices, using a market approach.

NOTE 16---NET ASSETS COMPOSITION

The composition of net assets as of June 30, 2020 and June 30, 2019 consisted of the following:

	2020	2019
Net assets without donor restrictions:		
Board designated	\$ 356,909	\$ 358,639
Undesignated	(520,856)	(111,693)
Total net assets without donor restrictions	<u>\$ (163,947)</u>	<u>\$ 246,946</u>
Net assets with donor restrictions:		
Perpetual in nature	\$ 767,784	\$ 742,386
Purpose restrictions	4,239,110	3,457,899
Total net assets with donor restrictions	<u>\$ 5,006,894</u>	<u>\$ 4,200,285</u>

NOTE 17---CONCENTRATION OF CREDIT RISK

As of June 30, 2020, and June 30, 2019, the College had a total of \$1,730,303 and \$754,222 respectively in cash deposits and money market accounts and various financial institutions. The amounts that exceeded the Federal Deposit Insurance Corporation (FDIC) coverage limitation of \$250,000 for a financial institution were by \$1,218,449 and \$417,456, respectively.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
(with comparative financial information as of and for the year ended June 30, 2019)

NOTE 18---PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made in the amount of \$45,752 to properly adjust an accounts payable account.

NOTE 19---SUBSEQUENT EVENTS

The College refinanced the debt referenced in Note 9 making the new maturity date November 21, 2021. There were no other subsequent events requiring disclosure as of February 12, 2021, the date management evaluated such events. February 12, 2021, is the date the financial statements were available to be issued.



CERTIFIED PUBLIC ACCOUNTANTS

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**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
American Baptist College
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of American Baptist College (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2021.

Internal Control Over Financial Reporting

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

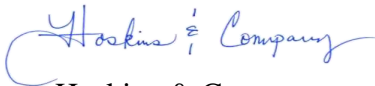
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 American Baptist 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the American Baptist College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Hoskins & Company". The signature is stylized with a large, sweeping initial 'H' and a cursive 'C'.

Hoskins & Company
Nashville, TN
February 12, 2021