

**AMERICAN BAPTIST COLLEGE**  
**INDEPENDENT AUDITORS' REPORT**  
**AND FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND JUNE 30, 2008**

**AMERICAN BAPTIST COLLEGE  
INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

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**INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS**

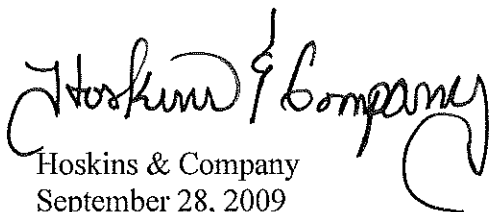
To the Board of Trustees of  
American Baptist College

We have audited the accompanying statements of financial position of American Baptist College as of June 30, 2009 and June 30, 2008, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of American Baptist College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and June 30, 2008, and changes in its net assets and cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2009, on our consideration of American Baptist College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

  
Hoskins & Company  
September 28, 2009

**AMERICAN BAPTIST COLLEGE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2009 AND JUNE 30, 2008**

	2009	2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 461,476	\$ 224,132
Certificate of deposit	8,534	8,244
Board designated investments ( Note 4)	198,165	222,363
Other investments - unrestricted (Note 4)	5,724	6,671
Certificate of deposit - temporarily restricted (Note 4)	1,489,814	763,613
Other investments - temporarily restricted (Note 4)	168,772	167,664
Student accounts receivable, less allowance for doubtful accounts of \$43,501 and \$44,027 (Note 3)	112,634	101,828
Receivable from federal government & federal work study	-	110,552
Inventory	10,985	12,769
Due from temporarily restricted funds	150,848	163,988
Total current assets	<u>2,606,952</u>	<u>1,781,824</u>
Endowment investments (Note 4)		
Cash and cash equivalents	2,326	2,320
Investments	873,214	1,378,137
Total endowment investments	<u>875,540</u>	<u>1,380,457</u>
Property and equipment (Note 5)		
Land and buildings	1,581,792	1,581,792
Equipment and furniture	246,664	221,225
Library books	1,028,333	1,028,333
Leased equipment	56,298	56,298
Less accumulated depreciation and amortization	(2,379,348)	(2,307,027)
Total property and equipment	<u>533,739</u>	<u>580,621</u>
Total assets	<u><u>\$ 4,016,231</u></u>	<u><u>\$ 3,742,902</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 42,093	\$ 17,844
Due to unrestricted funds	150,848	163,988
Student tuition overpayments	792	23,881
Security deposits	8,140	7,540
Total current liabilities/total liabilities	<u>201,873</u>	<u>213,253</u>
Net assets:		
Unrestricted	1,438,830	1,348,723
Temporarily restricted	1,508,036	800,469
Permanently restricted	867,492	1,380,457
Total net assets	<u>3,814,358</u>	<u>3,529,649</u>
Total liabilities and net assets	<u><u>\$ 4,016,231</u></u>	<u><u>\$ 3,742,902</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, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Educational:				
Tuition and fees	\$ 436,262	\$ -	\$ -	\$ 436,262
Housing	38,278	-	-	38,278
Bookstore	4,145	-	-	4,145
Extension centers	21,370	-	-	21,370
Food Services	22,100	-	-	22,100
Less scholarships	(47,202)	-	-	(47,202)
Total educational	474,953	-	-	474,953
				-
Private gifts and contributions	465,818	1,007,000	-	1,472,818
Church donations	135,017	-	-	135,017
Board of trustees	34,600	-	-	34,600
Investment income	33,367	7,075	23,474	63,916
Fundraising	34,055	-	-	34,055
Interest income	552	-	-	552
Other Income	36,886	-	-	36,886
Realized gain(loss) on sale of investmen	5,119	(1,106)	(39,758)	(35,745)
Unrealized loss on investments	(88,163)	(25,510)	(450,431)	(564,104)
Net assets released from restriction	326,142	(279,892)	(46,250)	-
Total revenues and support	1,458,346	707,567	(512,965)	1,652,948
Expenses				
Academic instruction and support	608,757	-	-	608,757
Student services	33,162	-	-	33,162
Institutional support	382,595	-	-	382,595
Operations and plant maintenance	308,800	-	-	308,800
Auxiliary services	34,925	-	-	34,925
Total expenses	1,368,239	-	-	1,368,239
				-
Change in Net assets	90,107	707,567	(512,965)	284,709
Net assets at beginning of year	1,348,723	800,469	1,380,457	3,529,649
Net assets at end of year	\$ 1,438,830	\$ 1,508,036	\$ 867,492	\$ 3,814,358

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

**AMERICAN BAPTIST COLLEGE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Educational:				
Tuition and fees	\$ 491,546	\$ -	\$ -	\$ 491,546
Housing	50,353	-	-	50,353
Bookstore	15,739	-	-	15,739
Extension centers	21,821	-	-	21,821
Food Services	38,090	-	-	38,090
Less scholarships	(71,103)	-	-	(71,103)
Total educational	546,446	-	-	546,446
Private gifts and contributions	322,739	2,000	17,889	342,628
Church donations	162,842	-	-	162,842
Board of trustees	33,600	-	-	33,600
Investment income	17,801	6,497	53,881	78,179
Fundraising	33,501	-	-	33,501
Interest income	48,281	-	-	48,281
Other income	23,452	-	-	23,452
Realized loss on sale of investments	(11,944)	-	(129,405)	(141,349)
Unrealized loss on investments	(33,150)	(325)	(234,212)	(267,687)
Net assets released from restriction	324,904	(276,642)	(48,262)	-
Total revenues and support	1,468,472	(268,470)	(340,109)	859,893
Expenses				
Academic instruction and support	599,540	-	-	599,540
Student services	45,824	-	-	45,824
Institutional support	469,620	-	-	469,620
Operations and plant maintenance	283,994	-	-	283,994
Auxiliary services	72,491	-	-	72,491
Total expenses	1,471,469	-	-	1,471,469
Change in Net assets	(2,997)	(268,470)	(340,109)	(611,576)
Net assets at beginning of year	1,351,720	1,068,939	1,720,566	4,141,225
Net assets at end of year	\$ 1,348,723	\$ 800,469	\$ 1,380,457	\$ 3,529,649

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

**AMERICAN BAPTIST COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

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	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>		
Change in Net assets	\$ 284,709	\$ (611,576)
Adjustments to reconcile net income to net cash provided(used) by operating activities:		
Depreciation and amortization	74,050	70,154
Loss from investment	599,849	627,978
Increase in accounts receivable	(10,806)	(4,497)
Decrease in receivable from government	110,552	(103,304)
Decrease in inventory	1,784	5,744
Increase in accounts payable	24,249	4,527
Decrease in student tuition overpayment	(23,089)	(6,482)
Increase in security deposits	600	600
Net cash provided(used) by operating activities	<u>1,061,898</u>	<u>(16,856)</u>
<b>Cash flows from investing activities</b>		
Purchase/Donation of fixed assets	(25,439)	(61,828)
Purchase of investments	(799,109)	-
Net cash used in investing activities	<u>(824,548)</u>	<u>(61,828)</u>
<b>Cash flows from financing activities</b>	<u>-</u>	<u>-</u>
 Net change in cash and cash equivalents	 237,350	 (78,684)
Cash and cash equivalents, beginning of year	226,452	305,136
Cash and cash equivalents, end of year	<u><u>\$ 463,802</u></u>	<u><u>\$ 226,452</u></u>

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

**AMERICAN BAPTIST COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

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**NOTE 1-- NATURE OF ORGANIZATION**

American Baptist College (the "College") was founded in 1924. In 1971, The College became an accredited four-year undergraduate bible college, presently known as American Baptist College. Its field of study includes a mandatory divisional major in Biblical-Theological Studies and a second major in Pastoral Studies, Christian Education or Social Sciences.

**NOTE 2-- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as increase in net assets. The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions, restricted gains and investment income whose restrictions are met in the same reporting period are reported as unrestricted support.

The College reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-live assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Revenues are recorded when earned in accordance with the accrual basis of accounting.

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.

Cash and Cash Equivalents

Cash and cash equivalents include checking and savings accounts, money market accounts, and certificate of deposits which maturities of three months or less. (See **NOTE 10** regarding the risk associated with cash and cash equivalents)



**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

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The College has classified as restricted certain cash and cash equivalents that are not available for use in its operations. (See **NOTE 4**)

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.

Accounts Receivable

The college records accounts receivable at their estimated net realizable value. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible accounts determined by analysis of specific balances and a general reserve based upon aging of outstanding balances. Past due balances are charged against the allowance when they are determined to be uncollectible.

Inventories

Inventories, consisting of textbooks and supplies, are stated at the lower of cost (first-in, first-out) or market (net realizable value).

Property, Plant and Equipment

Land and 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. These assets are being depreciated on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 60 years.

Deferred Revenues

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

Income Taxes

The College is a tax-exempt institution under the 501(c)(3) Internal Revenue Code. Accordingly, no provision for an income tax is considered necessary.

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. It is not practicable for the College to estimate the amount of compensation for future absences; accordingly no liability for compensated absences has been recorded in the accompanying financial statements. The College's policy is to recognize the costs of compensated absences when actually paid to employees.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

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Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net assets.

**NOTE 3-- ACCOUNTS RECEIVABLE**

Student accounts receivable is recorded as follows:

	<u>2009</u>	<u>2008</u>
Student accounts receivable	\$156,135	\$145,855
Less: allowance for doubtful accounts	<u>43,501</u>	<u>44,027</u>
Total	<u>\$112,634</u>	<u>\$ 101,828</u>

**NOTE 4-- INVESTMENTS**

Board Designated Investments

	<u>2009</u>		<u>2008</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<i>Mutual funds</i>	\$ 175,600	\$ 154,939	\$ 216,632	\$ 239,210
<i>Interest on CD</i>	<u>22,565</u>	<u>22,566</u>	<u>5,731</u>	<u>5,731</u>
	<u>\$ 198,165</u>	<u>\$ 177,505</u>	<u>\$ 222,363</u>	<u>\$ 244,941</u>

Unrestricted Investment

	<u>2009</u>		<u>2008</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<i>Mutual funds</i>	\$5,724	\$5,696	\$6,671	\$5,569

Temporarily Restricted

	<u>2009</u>		<u>2008</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<i>Certificate of Deposits</i>	\$1,489,814	\$1,489,814	\$763,613	\$763,613
<i>Mutual funds</i>	<u>168,772</u>	<u>133,127</u>	<u>167,664</u>	<u>135,678</u>
	<u>\$1,658,586</u>	<u>\$1,622,941</u>	<u>\$931,277</u>	<u>\$899,291</u>

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

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Endowment Funds

***Boddie Chair of Excellence***

The Boddie Chair of Excellence was established on September 12, 1989 as an independent corporation of the College and First Baptist Church Capitol Hill. 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.

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
<i>Cash and Cash</i>				
<i>Equivalents</i>	\$ 2,326	\$ 2,326	\$ 2,320	\$ 2,320
<i>Mutual funds</i>	<u>204,119</u>	<u>186,863</u>	<u>340,097</u>	<u>349,391</u>
	<u>\$ 206,445</u>	<u>\$ 189,189</u>	<u>\$ 342,417</u>	<u>\$ 351,711</u>

***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.

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 123,732	\$ 123,860	\$ 119,830	\$ 122,327

***The Wardin Scholarship Fund***

This 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.

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 61,292	\$ 82,878	\$ 73,799	\$ 80,687

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

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***The Mary Ross Endowment Fund***

This fund was established by the Woman's Auxiliary of the National Baptist Convention, Inc. USA in memory of Mary Ross.

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 1,588	\$ 2,326	\$ 2,200	\$2,251

***Operation Endowment Fund***

This fund was established by Mount Olivet Missionary Baptist Church, St. Paul, Minnesota, as an operation endowment. The original corpus of \$50,000 can never be used.

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$37,217	\$50,625	\$ 55,312	\$63,253

***Faculty Endowment***

First Missionary Baptist Church, Huntsville, AL, and Dollar General Corporation established this endowment to pay the salary of a professor in pastoral leadership and preaching the New Testament.

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 109,819	\$ 219,123	\$ 172,564	\$ 219,123
<i>Annuity</i>	319,737	319,737	591,108	591,108
	<u>\$ 429,556</u>	<u>\$ 538,860</u>	<u>\$ 763,672</u>	<u>\$ 810,231</u>

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

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***Tuition Endowment***

This fund was established by the Women's Wellness Group, Inc. as an endowment to provide tuition scholarships for students.

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 15,710	\$ 21,023	\$ 23,227	\$ 26,722

**Total Endowment Funds**

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
<b><i>Total Endowment Funds</i></b>	<b><u>\$875,540</u></b>	<b><u>\$1,008,761</u></b>	<b><u>\$1,380,457</u></b>	<b><u>\$ 1,457,182</u></b>

**NOTE 5-- PROPERTY, PLANT AND EQUIPMENT**

	June 30, 2009	June 30, 2008
Land	\$ 20,000	\$ 20,000
Building and grounds	1,561,792	1,561,792
Equipment and furniture	246,664	221,225
Leased equipment	56,298	56,298
Library books	1,028,333	1,028,333
Accumulated depreciation	(2,379,348)	(2,307,027)
	<u>\$ 533,739</u>	<u>\$ 580,621</u>

Depreciation and amortization expense for the years ended June 30, 2009 and 2008 was \$74,050 and \$70,154, respectively.

**NOTE 6-- RETIREMENT PLAN**

The College provides a retirement program in which employees are eligible to participate upon completion of one year of service. The College contributes 5% of eligible employees' salaries. Under this plan, costs are funded as they accrue. Pension expense was \$ 0 and \$25,500 for the years ended June 30, 2009 and 2008, respectively.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

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The pension plans are defined contribution annuity plans. Under the plans, participants' actuarial values are equal to or less than the accumulated value of the assets. There are no unfunded actuarial prior service or post service benefits and no funded value of accrued plan benefits.

**NOTE 7-- LINE OF CREDIT**

The College has a \$550,000 revolving line of credit with a financial institution with an interest rate of 4.50%. The principal and any interest are due on demand. All of the funds were available as of June 30, 2009 and June 30, 2008.

**NOTE 8-- NET ASSETS RELEASED FROM RESTRICTIONS**

Donor-imposed restrictions on temporarily restricted net assets expired for awarding of scholarships and grant expenditures for Vibrant Ministries. For the years ended June 30, 2009 and 2008, the amount was \$279,892 and \$276,642, respectively.

As of June 30, 2009 and 2008, investment earnings of \$46,250 and \$48,262, respectively were released from permanently restricted net assets.

**NOTE 9-- RELATED PARTY TRANSACTIONS**

A member of the Board of Trustees is the broker for several of the College's investments. The fair market value of the mutual funds managed by this broker as of June 30, 2009 and June 30, 2008 was \$633,892 and \$1,103,769, respectively.

**NOTE 10-- CONCENTRATION OF CREDIT RISK**

At June 30, 2009 and June 30, 2008, the College had cash on deposit in financial institutions that exceeded the federally insured coverage limitation (FDIC) of \$250,000 and \$100,000 respectively. Total excess cash in these institutions were \$227,592 and \$105,868 at June 30, 2009 and June 30, 2008, respectively. Additionally, the college had investment securities on CDs that exceeded Securities Investor Protection Corporation (SIPC) coverage limitation of \$500,000 as of June 30, 2009. Total excess values of securities were \$500,000 at June 30, 2009.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

To the Board of Trustees  
American Baptist College

We have audited the financial statements of American Baptist College as of and for the years ended June 30, 2009 and June 30, 2008, and have issued our report thereon dated September 28, 2009. We conducted our audits in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered American Baptist College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of American Baptist College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by College's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

1. The College does not have a formal accounting manual, documenting the procedures for fiscal operations. Hence, there was no policy regarding the reclassification of long held student receivables to allowance for uncollectible account and the time period, stipulating when those long outstanding balances should be written off as uncollectible. Also, there was no fixed asset capitalization policy; payments made for small items were recorded as part of fixed assets instead of expenditures.
2. Three out of 20 (15%) outstanding students' balance have been past due between two to three years and were not written off from accounts receivable at year end.
3. Receipt of money was not deposited intact within reasonable time (three business days). It was noted that money was held for a period of time extending up to 13 days before deposited.

#### Management's Response

1. *The college will take appropriate steps to prepare policies that outline the process and time frame for which student receivables will be converted to allowances for uncollected accounts. Additionally, we will implement a policy detailing which items are to indicated as fixed assets and expenditures.*
2. *The college will implement a policy which will indicate a specific time when student balance is to be written off for the fiscal year.*
3. *The college recognizes this concern and notes that the infrequency of deposits is a direct result of availability of Dr. Harris. Currently, he is the only one designated to make bank deposits. Periodically, this can cause a delay in deposits. When this does occur, the deposit is maintained in our safekeeping vault until he returns. This issue will be addressed with the Board of Trustees to see if we can make alternative deposit arrangement.*

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the paragraph above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Baptist College'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described as follows:

Noncompliance and Other Items Noted

4. Out of 15 financial aid files examined, one (7%) student's statement of educational and compliance with draft registration requirements was not signed by the student.

Management's Response

4. Students commute and are often difficult to correlate their time with mine. The one (1) student in question has since signed his forms this week.

American Baptist College's responses to the items identified in our audit are described above. We did not audit American Baptist College's responses and, accordingly, we express no opinion on it.

This report is intended for the information and use of the board of trustees, management, others within the College's and The Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

  
Hoskins & Company

September 28, 2009