

**AMERICAN BAPTIST COLLEGE**  
**INDEPENDENT AUDITORS' REPORT,**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2013 AND JUNE 30, 2012**

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, 2013, and June 30, 2012, and the related statements of activities, functional expenses, 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 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, 2013, and June 30, 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 November 01, 2013, 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.



Hoskins & Company  
November 01, 2013

**AMERICAN BAPTIST COLLEGE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND JUNE 30, 2012**

	2013	2012
<b>Assets</b>		
Current assets:		
Cash	\$ 132,147	\$ 25,955
Cash - temporarily restricted Lilly fund (Note 8)	257,097	236,167
Certificate of deposit - unrestricted	9,035	8,954
Board designated investments - ( Note 2)	198,091	178,702
Money markets - temporarily restricted (Note 2)	50,124	445,701
Certificate of deposit - temporarily restricted (Note 2)	95,739	94,031
Other investments - temporarily restricted (Note 2)	425,535	605,730
Student accounts receivable, net of allowance (Note 3)	182,869	154,011
Other current receivable (Note 4)	23,991	63,264
Inventory	-	2,588
Total current assets	<u>1,374,628</u>	<u>1,815,103</u>
Endowment investments (Note 2)		
Cash	5,139	5,132
Investments	616,145	550,049
Total endowment investments	<u>621,284</u>	<u>555,181</u>
Property and equipment, net of accumulated Depreciation and amortization (Note 5)	<u>660,627</u>	<u>582,444</u>
Total assets	<u><u>\$ 2,656,539</u></u>	<u><u>\$ 2,952,728</u></u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 76,213	\$ 23,099
Employee retirement payable (Note 7)	-	31,700
Current portion of notes payable (Note 10)	31,480	2,567
Security deposits	13,125	11,500
Other current payables (Note 6)	-	12,916
Line of credit (Note 9)	36,294	36,000
Total current liabilities	<u>157,112</u>	<u>117,782</u>
Long-term liabilities		
Notes payable (Note 10)	<u>114,174</u>	<u>45,217</u>
Total liabilities:	<u>271,286</u>	<u>162,999</u>
Net assets:		
Unrestricted	935,474	652,921
Temporarily restricted	828,495	1,581,627
Permanently restricted	621,284	555,181
Total net assets	<u>2,385,253</u>	<u>2,789,729</u>
Total liabilities and net assets	<u><u>\$ 2,656,539</u></u>	<u><u>\$ 2,952,728</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, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Support</b>				
Educational				
Tuition and fees	\$ 1,113,875	\$ -	\$ -	\$ 1,113,875
Housing	84,047	-	-	84,047
Bookstore	792	-	-	792
Extension centers	11,924	-	-	11,924
Less: scholarships	(37,578)	-	-	(37,578)
Total educational	1,173,060	-	-	1,173,060
Private gifts and contributions	283,143	2,000	6,050	291,193
Church donations	119,606	-	-	119,606
Board of trustees	78,334	-	-	78,334
Investment income	587	22,683	26,173	49,443
Fundraising	37,645	-	-	37,645
Other income	27,500	-	-	27,500
Realized gain (loss) on sale of investments	2,854	2,258	4,341	9,453
Unrealized gain (loss) on investments	20,649	418	34,539	55,606
Net assets released from restriction	785,491	(780,491)	(5,000)	-
Total revenues and support	2,528,869	(753,132)	66,103	1,841,840
<b>Expenses</b>				
Academic instruction and support	792,242	-	-	792,242
Student services	126,947	-	-	126,947
Institutional support	749,267	-	-	749,267
Operations and plant maintenance	501,420	-	-	501,420
Auxiliary services	4,597	-	-	4,597
Total expenses	2,174,473	-	-	2,174,473
Change in net assets	354,396	(753,132)	66,103	(332,633)
Prior period adjustment (Note 15)	(71,843)	-	-	(71,843)
Net assets at beginning of year	652,921	1,581,627	555,181	2,789,729
Net assets at end of year	\$ 935,474	\$ 828,495	\$ 621,284	\$ 2,385,253

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

**AMERICAN BAPTIST COLLEGE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Support</b>				
Educational				
Tuition and fees	\$ 939,461	\$ -	\$ -	\$ 939,461
Housing	63,308	-	-	63,308
Bookstore	233	-	-	233
Extension centers	21,932	-	-	21,932
Less scholarships	(21,144)	-	-	(21,144)
Total educational	1,003,790	-	-	1,003,790
Private gifts and contributions	91,573	2,000	3,428	97,001
Church donations	120,244	-	-	120,244
Board of trustees	166,096	-	-	166,096
Investment income	2,596	4,327	12,441	19,364
Fundraising	42,513	-	-	42,513
Other income	2,950	-	-	2,950
Realized gain (loss) on sale of investments	(36,809)	(19,279)	(73,566)	(129,654)
Unrealized gain (loss) on investments	9,397	(50,087)	29,726	(10,964)
Net assets released from restriction	589,214	(584,214)	(5,000)	-
Total revenues and support	1,991,564	(647,253)	(32,971)	1,311,340
<b>Expenses</b>				
Academic instruction and support	972,057	-	-	972,057
Student services	71,666	-	-	71,666
Institutional support	734,041	-	-	734,041
Operations and plant maintenance	411,658	-	-	411,658
Auxiliary services	15,897	-	-	15,897
Total expenses	2,205,319	-	-	2,205,319
Change in net assets	(213,755)	(647,253)	(32,971)	(893,979)
Net assets at beginning of year	866,676	2,228,880	588,152	3,683,708
Net assets at end of year	\$ 652,921	\$ 1,581,627	\$ 555,181	\$ 2,789,729

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

**AMERICAN BAPTIST COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

	2013	2012
<b>Cash flows from operating activities</b>		
Decrease in net assets	\$ (332,633)	\$ (893,979)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Prior period net asset adjustment	(71,843)	-
Depreciation and amortization	125,144	76,437
Realized loss (gain) from investment	(9,453)	129,654
Unrealized loss (gain) from investment	(55,606)	10,964
Increase in student accounts receivable	(28,858)	(56,122)
Decrease (increase) in other current receivable	39,273	(18,146)
Decrease in prepaid asset	-	9,032
Decrease in inventory	2,588	3,127
Increase in accounts payable	53,114	5,699
Increase in employee retirement payable	(31,700)	-
Increase in security deposits	1,625	1,500
Decrease (increase) in other current payables	(12,916)	6,308
Net cash used in operating activities	(321,264)	(725,526)
<b>Cash flows from investing activities</b>		
Increase in restricted cash	(20,937)	(241,299)
Purchase of fixed assets	(203,326)	(26,592)
Net sales of investments	553,555	822,106
Net cash provided by investing activities	329,292	795,515
<b>Cash flows from financing activities</b>		
Proceeds (repayment) of line of credit payable	294	(10,000)
Proceeds (repayment) of notes payable	97,870	(47,585)
Net cash provided by (used in) financing activities	98,164	(57,585)
Net change in cash	106,192	12,404
Cash, beginning of year	25,955	13,551
Cash, end of year	<u>\$ 132,147</u>	<u>\$ 25,955</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, 2013 AND JUNE 30, 2012**

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

Nature of Organization

American Baptist College (the “College”) was founded in 1924. In 1971, the College became an accredited four-year undergraduate bible college. The College is an accredited member of the Commission on Accreditation 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 a predominantly African American student population for leadership, service and social justice in the world. The school 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 financial statements of the College have been prepared on the accrual basis of accounting, and accordingly, revenue is recognized when earned, and expenses are recorded when incurred. The College recognizes support and promises to give when received.

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board’s Accounting Standard Codification (FASB ASC 958). Under FASB ASC 958, the College is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Unrestricted Net Assets — Net assets that are not temporarily or permanently restricted by explicit donor stipulations or by law.

Temporarily Restricted Net Assets — Net assets of gifts of cash and other assets, accepted by board actions, that are received with donor stipulations that limit the use of the donated assets, or designated as support for future periods.

Permanently Restricted Net Assets — Net assets, accepted by board actions, subject to donor’s stipulations that require the assets be invested in perpetuity.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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

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-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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.

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 13 regarding the 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.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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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, 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. 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.

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.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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**NOTE 2---INVESTMENTS**

The College's investment as of June 30, 2013 and June 30, 2012, consists of the following:

Board Designated Investments

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 198,091	\$ 185,384	\$ 178,702	\$ 176,929

	2013		2012	
	Fair Value	Cost	Fair Value	Cost

Unrestricted Investment

Mutual funds	\$ 9,035	\$ 9,035	\$ 8,954	\$ 8,954
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Temporarily Restricted Investment

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Money Market	\$ 50,124	\$ 46,482	\$ 445,701	\$ 445,701
CD	95,739	95,739	94,031	94,031
Mutual funds	425,535	383,926	610,729	648,268
	<u>\$ 571,398</u>	<u>\$ 526,147</u>	<u>\$ 1,150,461</u>	<u>\$ 1,188,000</u>

Endowment Investment

*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.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Cash	\$ 5,139	\$ 5,139	\$ 5,132	\$ 5,132
Mutual funds	<u>303,605</u>	<u>282,352</u>	<u>255,444</u>	<u>253,656</u>
	<u>\$ 308,744</u>	<u>\$ 287,491</u>	<u>\$ 260,576</u>	<u>\$ 258,788</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.

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 139,083	\$ 132,233	\$ 141,003	\$ 127,000

*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.

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 96,775	\$ 92,793	\$ 88,722	\$ 87,615

*The Mary Ross Endowment Fund*

The Mary Ross Endowment Fund was established by the Woman's Auxiliary of the National Baptist Convention, U.S.A., and Inc. in memory of Mary Ross.

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 1,886	\$ 1,807	\$ 1,633	\$ 1,633

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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*Operation Endowment Fund*

The Operation Endowment 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.

	2013		2012	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 52,568	\$ 46,505	\$ 44,471	\$ 44,512

*Tuition Endowment*

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

	2013		2012	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 22,228	\$ 20,919	\$ 18,776	\$ 18,792

Total Endowment Funds

	2013		2012	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<i>Total Endowment Funds</i>	<u>\$ 621,284</u>	<u>\$ 581,748</u>	<u>\$ 555,181</u>	<u>\$ 538,345</u>

**NOTE 3---ACCOUNTS RECEIVABLE**

Student accounts receivable is recorded as follows:

	<u>2013</u>	<u>2012</u>
Student accounts receivable	\$ 205,582	\$ 201,089
Less: allowance for doubtful accounts	(22,713)	(47,078)
Total	<u>\$ 182,869</u>	<u>\$ 154,011</u>

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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**NOTE 4---OTHER CURRENT RECEIVABLE**

Other receivable consists of the following:

	<u>2013</u>	<u>2012</u>
Receivable from Federal Gov't & Other	\$ 23,991	\$ 63,264

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

Fixed assets consist of the following:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Land	\$ 20,000	\$ 20,000
Building and grounds	1,831,311	1,731,665
Equipment and furniture	279,343	279,343
Library books	1,028,333	1,028,333
Enrollment management software	286,550	113,750
Less: accumulated depreciation and amortization	<u>(2,784,910)</u>	<u>(2,590,647)</u>
	<u><u>\$ 660,627</u></u>	<u><u>\$ 582,444</u></u>

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$125,144 and \$76,437, respectively.

**NOTE 6--- OTHER CURRENT PAYABLES**

Other current payables at June 30, 2013 and June 30, 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Tuition overpayments by Financial Aid	\$ -	\$ 11,819
Student tuition overpayments	-	927
Cokesbury Textbooks Payable	-	170
Total	<u><u>\$ -</u></u>	<u><u>\$ 12,916</u></u>

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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**NOTE 7---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 payable was \$ 0 for years ended June 30, 2013 and 2012, respectively. The pension plans are defined as a contribution annuity plan. Under this plan, 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 8---TEMPORARILY RESTRICTED LILLY FUND**

A donor restriction previously disclosed as due to/due from was restated and separately shown as restricted cash. Restricted cash for the years ended June 30, 2013 and June 30, 2012 was \$257,097 and \$236,167, respectively.

**NOTE 9---LINE OF CREDIT**

The College has a \$250,000 revolving line of credit with a financial institution with an interest rate of 3.85%. The balance on the line of credit was \$36,294 and \$36,000, for the years ended June 30, 2013 and June 30, 2012, respectively.

**NOTE 10---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 known as 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, 2013 and June 30, 2012 was \$45,254 and \$47,784 respectively.

Loan maturities for each of the five years following June 30, 2013, are as follows:

2014	2,680
2015	2,810
2016	2,947
2017	3,090
2018	3,240
Thereafter	30,487
	<u>45,254</u>



**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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The College also owed a balance of \$100,400 as of June 30, 2013 to a vendor for enrolment management software purchased. The purchase was made with payment agreement to be made on installment and no interest rate. The outstanding installment balances as of June 30, 2013, are as follows:

2014	28,800
2015	28,800
2016	42,800
	<u>100,400</u>

**NOTE 11---NET ASSETS RELEASED FROM RESTRICTIONS**

Donor-imposed restrictions on temporarily restricted net assets expired for awarding of scholarships and grant expenditures for Vibrant Ministries. Amounts released from temporarily restricted to unrestricted net assets were \$780,491 and \$584,214 as of June 30, 2013 and June 30, 2012, respectively.

Investment earnings of \$5,000 were released from permanently restricted net assets as of June 30, 2013, and June 30, 2012.

**NOTE 12---RELATED PARTY TRANSACTIONS**

One of the members of the Board of Trustees is a broker for several of the College's investments. The fair market value of the mutual funds managed by this broker as of June 30, 2013 and June 30, 2012, was \$940,089 and \$787,144, respectively.

**NOTE 13---CONCENTRATION OF CREDIT RISK**

The College had cash deposits in a financial institution that exceeded the federally insured coverage limitation (FDIC) of \$250,000. Total excess cash equivalents in this institution were \$197,614 and \$267,821, at June 30, 2013, and June 30, 2012, respectively.

**NOTE 14---ENDOWMENT FUNDS**

Effective March 24, 2011, the College adopted the *FASB Staff Position No. 117-1 (FSP 117-1), Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced disclosures for All Endowment Funds*. FSP 117-1 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 disclosures about endowment funds, both donor restricted endowment funds and board-designated (quasi) endowment funds. The state of Tennessee enacted the provisions of UPMIFA in 2007. The College's endowment funds consist of approximately six (6) individual funds established for a variety of purposes.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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Management presented a summary of FSP 117-1 to members of the Board of Trustees in March 2011, and the Board of Trustees interpreted the UPMIFA as enacted by the state of Tennessee, effective July 1, 2008, requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, the College classifies as permanently restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with FSP 117-1, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the UPMIFA.

Changes in endowment and other net assets for the fiscal year ended June 30, 2013 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 555,181	\$ 555,181
Investment return:				
Investment income	-	-	30,514	30,514
Net appreciation(depreciation)	-	-	34,539	34,539
Total investment decrease	-	-	65,053	65,053
Contributions	-	-	6,050	6,050
Less: Investment return used for operation	-	-	(5,000)	(5,000)
Endowment net assets, end of year	\$ -	\$ -	\$ 621,284	\$ 621,284

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

Changes in endowment and other net assets for the fiscal year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 588,152	\$ 588,152
Investment return:				
Investment income	-	-	(61,125)	(61,125)
Net appreciation(depreciation)	-	-	29,726	29,726
Total investment decrease	-	-	(31,399)	(31,399)
Contributions	-	-	3,428	3,428
Less: Investment return used for operation	-	-	(5,000)	(5,000)
Endowment net assets, end of year	\$ -	\$ -	\$ 555,181	\$ 555,181

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. Deficiencies of this nature that are reported as unrestricted net assets were \$0 as of June 30, 2013, and June 30, 2012.

**NOTE 15 --- PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$71,843 was made to beginning net assets to record liability related to enrolment management software that was not recorded. Outstanding liability as of June 30, 2013, was also recorded to correctly report balance of debt as stated in **Note 10**.

**NOTE 16---SUBSEQUENT EVENTS**

There were no subsequent events requiring disclosure as of November 01, 2013, the date management evaluated such events. November 01, 2013, is the date the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**

**AMERICAN BAPTIST COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursement Expenditures
Student Financial Aid Cluster			
U.S. Department of Education Student Financial Aid:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 6,216
Federal College Work Study	84.033		6,741
Federal Pell Grant	84.063		358,541
Federal Direct Student Loans	84.268		<u>929,162</u>
Total Student Financial Aid			<u>1,300,660</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 1,300,660</u></b>

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE PERIOD ENDED JUNE 30, 2013**

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2013, is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2---FEDERAL DIRECT STUDENT LOAN PROGRAM**

During the year ended June 30, 2013, the College processed \$929,162 of new loans under the Federal Direct Student Loan Program, CFDA Number 84.268.

**NOTE 3--- ADMINISTRATIVE COSTS AND MATCHING**

The College has received a waiver from the U.S. Department of Education and is not required to provide an institutional matching for certain Title IV programs. The College is allowed to take up to 5% of campus-based programs as an administrative allowance.



**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, 2013, 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 November 01, 2013.

**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 the American Baptist College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item, ABC-2013-F1 to be material weaknesses.

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. We did not identify deficiencies considered to be significant deficiencies.

## **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*.

## **American Baptist College's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the American Baptist College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hoskins & Company  
November 01, 2013





1900 Church Street, Suite 200 Nashville, TN 37203  
Phone 615.321.7333 Fax 615.523.1868

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

To the Board of Trustees of  
American Baptist College

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

We have audited *American Baptist College's* compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of *American Baptist College's* major federal programs for the year ended June 30, 2013. *American Baptist College's* major federal programs are identified in the "Summary of Auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of *American Baptist College's* major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *American Baptist College's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of *American Baptist College's* compliance.

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

In our opinion, *American Baptist College* complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items ABC-2013-F2 through ABC-2013-F3. Our opinion on each major federal program is not modified with respect to these matters.

American Baptist College's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. American Baptist College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of American Baptist College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered American Baptist College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 American Baptist College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item ABC-2013-F2 and ABC-2013-F3 to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of American Baptist College as of and for the year ended June 30, 2013, and have issued our report thereon dated November 01, 2013, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Hoskins & Company

November 01, 2013

**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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***SECTION I—Summary of Independent Auditors' Results***

Financial Statements

**Type of auditors' report issued:** [Unmodified]

**Internal control over financial reporting:**

·Material weaknesses identified?	Yes
·Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes

Federal Awards

**Internal control over major programs:**

·Material weaknesses identified?	Yes
·Significant deficiencies identified that are not considered to be material weaknesses?	No

Type of auditors' report issued on compliance for major program: [Unmodified]

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes
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**Identification of major programs:**

CFDA NUMBER	NAME OF FEDERAL PROGRAM	AMOUNT EXPENDED
84.007	Federal Supplemental Educational Opportunity Grant	\$ 6,216
84.033	Federal College Work Study	6,741
84.063	Federal Pell Grant	358,541
84.268	Federal Direct Student Loans	929,162

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as a low-risk auditee?	Yes
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**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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***SECTION II—Findings Related to the Financial Statements Audited in Accordance with Government Auditing Standards***

**A. INTERNAL CONTROL –**

**ABC-2013-F1**

Transactions relating to the purchase of a student enrollment and management software were not completely recorded due to lack of independent review of financial transactions. This resulted in the understatement of assets by \$172,800 as well as a related liability of \$100,400. H&C recorded audit adjusting entry to correct the understatement.

**Management Response**

*ABC did have an independent review during the period of the purchase of our enrollment management software. From the discussions conducted by the auditor, and the review of subsequent contract documents, it was determined that the amounts had been recorded incorrectly because the total purchase price was inclusive of the maintenance agreement figure (which should not have been listed as a part of the actual cost of the software). This adjustment has been made to our system by Hoskins & Company.*

**B. COMPLIANCE –**

***SECTION III – Findings and Questioned Costs for Federal Awards***

**C. COMPLIANCE FINDINGS –**

**ABC-2013-F2**

- Of the 5 students tested that received student loans that required enrollment status change updates within the 30-60 days regulatory time frame, the College did not update the students' status in the National Student Loans Data System (NSLDS).

**Management Response**

*ABC has addressed this issue by obtaining a full-time Financial Aid Director, Ms. Sharonda Campbell. We will terminate our relationship with the Kenaly Complement, which has serviced as our administrator of financial aid for the past two years. We feel that bringing this process totally in house will service us more efficiently.*

**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**ABC-2013-F3**

- For the 2012-2013 award year, the College did not reconcile its oversight of Title IV funds on, at least, a monthly basis. The student financial aid awards and disbursements were not reconciled regularly as required.

**Management Response**

*ABC is still on the reimbursement method with the Department of Education. We submit no more than 3 reports during an award year. Each report is submitted before we receive a payout of financial aid funds. Basically, our funds are not received prior to these reports being received. We reconcile our requests with the funds allocated by the Department based on our requests.*

**AMERICAN BAPTIST COLLEGE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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*Prior Audit Findings and Questioned Costs*

A. COMPLIANCE FINDINGS –

**ABC-2012-F1**

- For the 2011-2012 award year, the required 25% (\$1,105) institutional non-federal share match for the Federal Supplemental Educational Opportunity Grant (FSEOG) program disbursements was not provided by the College.

*Management Response*

*ABC acknowledges that there is no evidence of the school having made the 25% match of FSEOG program for the 2011 - 2012 award year. However, we have increased our FSEOG funds by the required 25% for the current 2012 - 2013 award year. Our federal share of FSEOG funds is \$6,216 + 25% (1,554) non-federal share = \$7,770 to be allocated for the award year. This allocation will be spread over the fall & spring semesters, with any remaining funds used for the summer 2013 semester.*

**Current Status**

American Baptist College did adhere to the FSEOG policy by allocating funds for Fall 2012, Spring 2013 and Summer 2013 semesters. Our departmental policies and procedures manual have been revised and approved and submitted to the Department of Education's HBCU section for review.

**ABC-2012-F2**

- Of the 11 students tested that received student loans that required enrollment status change updates within the 30-60 days' regulatory time frame, the College did not update the students' status in the National Student Loans Data System (NSLDS).

*Management Response*

*ABC acknowledges that we had fallen behind in reporting our enrollment status, due to our sudden departure of our financial aid coordinator. We have since completed an update in October. In addition, we have obtained a schedule of due dates for reporting and will comply with the guidelines set forth by the Dept. of Education.*

**AMERICAN BAPTIST COLLEGE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**Current Status**

Our policies and procedures manual have been updated and approved as well as a global calendar developed to track due dates for submission of this enrollment data. A new line of communication has been developed between Admissions, Financial Aid and the Registrar's Office to ensure that data is shared with these offices for reporting accuracy.

**ABC-2012-F3**

- The College did not meet the Federal Work Study (FWS) requirement to use at least 7% of its FWS allocation for the 2011-2012 award year to compensate students who worked in a community service job. Of the 5 students that received FWS, none were employed in a community service job, and the College did not have a waiver on file to exempt them from the FWS requirement.

**Management Response**

*ABC acknowledges that it had not been participating in the community service portion of the work study program. In the past we had been granted a waiver for that portion of the program. However, it has been determined that a waiver for the period was not in place. We are aware that we must seek out opportunities in the community in which our students can participate and receive payments from the FWS program. Just recently we have been informed of two such opportunities: Room in the Inn at Ray of Hope Community Church and a Food Bank being operated at Kayne Avenue Baptist Church.*

**Current Status**

For the Fall 2013 semester, American Baptist College did have two (2) students who participated in the Community Service Program. They worked outside the college in the public school system.

**ABC-2012-F4**

- The College did not complete and submit its 2011-2012 Fiscal Operation and Application to Participate (FISAP) by the required 10/1/12 due date.



**AMERICAN BAPTIST COLLEGE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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*Management Response*

*ABC acknowledges that it missed the deadline for completion of the FISAP report. We had no financial aid director in place to monitor due dates or to prepare this report. ABC has since submitted a preliminary report to the department and has been given an extension until December 15, 2012 to submit the remaining portions and make corrections to the report. The CFO & Financial Aid Coordinator will be working to complete the report in the coming weeks.*

**Current Status**

The FISAP report was completed and submitted to the Department of Education. Corrections were made to the department within the guidelines set forth by the Department of Education.

**ABC-2012-F5**

- For the 2011-2012 award year, the College did not reconcile its oversight of Title IV funds on, at least, a monthly basis. The student financial aid awards and disbursements were not reconciled regularly as required.

*Management Response*

*ABC had not been reconciling its Title IV funds on a monthly basis, due to the lack of a financial aid coordinator. The program has now been reconciled for the award year of 2011 - 2012 by the CFO. As a result of the reconciliation, a request has been submitted to the Dept. of Ed for additional funds which had not been credited for the period. As we go forth in the 2012-2013 award year, we will adhere to the required monthly reconciliation process as set forth by the Dept. of Education.*

**Current Status**

ABC has complied with the Reconciliation process for all prior years and has implemented a policy to monitor the monthly reconciliation process. ABC is still under the HCM2 method of reimbursement, so funds are not received by the college until disbursements are made by our payment analyst at the Department of Education. Reconciliations will be completed by the Financial Aid Director in conjunction with the Business Manager.

**AMERICAN BAPTIST COLLEGE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**ABC-2012-F6**

- In one instance, a student who had a Federal Direct Student Loan, did not have a promissory note on file.

**Management Response**

*I am aware of one student who did not have a Promissory Note. Funds that were received on his behalf were sent back to the Dept. of Education. We verify that a MPN has been completed and signed, prior to requesting funds for a student. A copy of the verification page from Dept. of Ed is kept on file in the student's financial aid folder.*

**Current Status**

ABC has addressed this issue and verification that students have completed their promissory note is kept in each student's financial aid file.

**ABC-2012-F7**

- The College did not perform the required exit loan counseling for 2 of the 11 students tested that participated in the Federal Direct Student Loan Program and have either graduated or withdrew.

**Management Response**

*ABC acknowledges that two students' files did not show evidence of exit counseling. The file did contain a letter requesting such verification prior to the student's graduation. An attempt will be made to contact the students to have them complete the exit counseling process, so that we can update their financial aid .file to reflect compliance.*

**Current Status**

The Financial Aid Director will adhere to the policies and procedures set forth by our departmental manual for disbursement of financial aid. No student will be cleared for graduation without having completed an Exit Counseling session. Documentation will be printed from COD and placed in the student's file.

**AMERICAN BAPTIST COLLEGE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**B. INTERNAL CONTROL FINDINGS –**

**ABC-2012-F8**

- There has been a high turn-over rate for the Student Financial Aid personnel position. This appears to hinder the College's ability to ensure Student Financial Aid is processed in accordance with the U.S. Department of Education's requirements.

**Management Response**

*ABC acknowledges that we have had an unusual set of circumstances in our financial aid department. In the last 18 months, we have had three (3) different persons assuming that role. Ms. Pauletta Burns came to us in February 2011 and resigned in November 2011. In January 2012 Ms. Tanaka Voucher joined the staff as financial aid director and left abruptly in April, 2012. Currently, we are using an outsourcing agency to do our Title IV processing of aid. They are contracted with us until December, 2012, with the contract being renegotiated at that time. We have in house a financial aid coordinator, Dr. Barbara Wilson, who maintains the students financial aid files, counsels students, processes FSW, Vocational Rehab, TSAC, VA benefits and monitors other scholarships. It is our hope to be able to bring this piece of the financial aid funding back in house once Ms. Wilson has had ample time and training to do the process. Ms. Williams, the CFO, continues to assist with areas of financial aid as deemed necessary.*

**Current Status**

The Financial Aid Office now has a full-time Financial Aid Director, Ms. Sharonda Campbell. She has oversight provided by a representative from the HBCU division of the Department of Education, as well as ongoing training with a seasoned Financial Aid Director, Ms. Regina Gilbert from Watkins Institute. ABC feels confident that she has the tools to provide us with the services needed to stay in compliance with our financial aid program.