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**AMERICAN BAPTIST COLLEGE**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**JUNE 30, 2017**



AMERICAN BAPTIST COLLEGE

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

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

**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 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, 2017. *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 the audit requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *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, 2017.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [2017-001 and 2017-002]. 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 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 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of *American Baptist College's* internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, we identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questions costs that we consider to be significant deficiencies [2017-001 and 2017-002].

American Baptist College's response to the internal control over compliance 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of American Baptist College as of and for the year ended June 30, 2017, and have issued our report thereon dated November 27, 2017, 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.



Hoskins & Company  
Nashville, TN  
November 27, 2017

**AMERICAN BAPTIST COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Beginning Accrued / (Deferred)	Net Cash Receipts	Disbursement Expenditures	Ending Accrued / (Deferred)
Student Financial Aid Cluster					
U.S. Department of Education Student Financial Aid:					
Federal Supplemental Educational Opportunity Grant	84.007	-	7,016	(7,016)	-
Federal College Work Study	84.033	(1,678)	6,928	(7,100)	(1,850)
Federal Pell Grant	84.063	-	471,478	(471,478)	-
Federal Direct Student Loans	84.268	<u>4,700</u>	<u>1,134,374</u>	<u>(1,123,361)</u>	<u>15,713</u>
Total Student Financial Aid		<u>3,022</u>	<u>1,619,796</u>	<u>(1,608,955)</u>	<u>13,863</u>
Other Grants					
Title III Part B HBCU	84.031B	429,447	1,719,082	(1,031,726)	1,116,803
Title III Part F SAFRA	84.031B	<u>137,233</u>	<u>511,308</u>	<u>(740,509)</u>	<u>(91,968)</u>
		<u>566,680</u>	<u>2,230,390</u>	<u>(1,772,235)</u>	<u>1,024,835</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><b>\$ 569,702</b></u>	<u><b>\$ 3,850,186</b></u>	<u><b>\$ (3,381,190)</b></u>	<u><b>\$ 1,038,698</b></u>

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1---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 accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant expenditure activity of the College for the year ended June 30, 2017, and is presented using the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Uniform Guidance Audits of State local governments and non-profit entities, some amounts presented in this schedule may differ.

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

During the year ended June 30, 2017, the College processed \$1,123,361 of new loans under the Federal Direct Loan Program, CFDA Number 84.268.

**NOTE 3---SUBSEQUENT EVENTS**

The College has evaluated subsequent events as of November 27, 2017; the date management evaluated such events that require disclosures. November 27, 2017, is the date the Schedule was available to be issued.

**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

Federal Awards

**Internal control over major programs:**

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

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 200.516 (a) of Uniform Guidance? No

**Identification of major programs:**

<b>CFDA NUMBER</b>	<b>NAME OF FEDERAL PROGRAM</b>	<b>AMOUNT EXPENDED</b>
84.007	Federal Supplemental Educational Opportunity Grant	\$ 7,016
84.033	Federal College Work Study	7,100
84.063	Federal Pell Grant	471,478
84.268	Federal Direct Student Loans	1,123,361
84.031B	Title III Part B HBCU	1,031,726
84.031B	Title III Part F SAFRA	740,509

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes



**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

**A. WEAKNESSES OVER CURRENT ACCOUNTING SYSTEM**

None reported for the year ended June 30, 2017

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

**B. CURRENT AUDIT COMPLIANCE FINDINGS –**

**2017-001**

Criteria

Documentation for students who withdraw, or graduate, during the fiscal year should have and updated NSLDS as well as exit interview submitted within 30 days before the start of the new semester.

Condition, Context and Cause

During our review of the College's Student Status Change documentation, Hoskins & Company noted that students NSLDS's were not updated upon them leaving or graduating, and for many students exit interviews were not completed.

Effect

The effect of not having an adequate records on file could lead to inaccurate reporting of students attending the college, as well as non-compliance for documentation support.

Recommendations

Hoskins & Company recommends that the College improve its filing system by updating the students records as soon as they leave the college to avoid compliance issues, and if needed help assist students with completion of exit interviews.

Management Response

- American Baptist College does not dispute this finding.
- ABC has contracted (effective December 15, 2017) with an experienced higher education financial aid professional who will have the responsibility for assuring that the NSLDS's of students who graduate or withdraw are updated and for scheduling and documenting the exit interviews for said students.

**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**2017-002**

Criteria

Students are required to be in compliance with the College's Satisfactory Academic Progress policies. Students who fail to meet the general Satisfactory Academic Progress (SAP) requirements are placed on academic probation during which they will not qualify for student aid. A student may however submit a written appeal on the basis of an extenuating circumstance. Extenuating circumstances are situations beyond the student's control that may have contributed to the non-compliance with the SAP policy. All extenuating circumstances must be well documented and verifiable.

Condition, Context and Cause

During our review of the College's eligibility documentation, Hoskins & Company noted that the College did not maintain proper documentation to support providing financial aid to a student who was non-compliant with College's general Satisfactory Academic Progress requirements.

Effect

Note maintaining proper documentation supporting the eligibility of students receiving financial aid could result in the return of federal funds as a result of non-compliance with eligibility requirements.

Recommendations

Hoskins & Company recommends that the College review eligibility requirements and maintain proper documentation supporting compliance.

Management Response

- American Baptist College does not dispute this finding.
- ABC has contracted (effective December 15, 2017) with an experienced higher education financial aid professional who will develop and/or implement procedures to assure that recipients of federal (and/or state) financial aid meet all applicable eligibility requirements and that documentation supporting the students' eligibility is contained in each student's financial aid file. The procedures will include a pre-distribution verification from the College's Registrar that Satisfactory Academic Progress eligibility requirements have been met.

**AMERICAN BAPTIST COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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***PRIOR YEAR – Status of Prior Audit Findings and Questioned Costs***

Item#	Description of Condition	Status of Corrective Action
2016-001	Internal Control over Accounting	This finding has been resolved in 2017
Item#	Description of Condition	Status of Corrective Action
2016-002	Compliance for Federal Work Study	This finding has been resolved in 2017
Item#	Description of Condition	Status of Corrective Action
2016-003	Compliance over Selective Service Registration	This finding has been resolved in 2017