
AMERICAN BAPTIST COLLEGE
INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
JUNE 30, 2016 AND JUNE 30, 2015



AMERICAN BAPTIST COLLEGE

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT.....	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES.....	4-5
STATEMENT OF CASH FLOWS.....	6
NOTES TO THE FINANCIAL STATEMENTS.....	7-17



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, 2016, and June 30, 2015, 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, 2016, and June 30, 2015, 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.

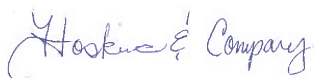
Other Matters

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 Title 2 U.S. code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principals, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017, 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

Nashville, TN

February 16, 2017

AMERICAN BAPTIST COLLEGE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 AND JUNE 30, 2015

	2016	2015
Assets		
Current assets:		
Cash-operating	\$ 8,580	\$ 15,473
Cash- temporarily restricted - Title III funds (Note 8)	566,680	366,417
Investments - unrestricted (Note 2)	14,076	164,044
Board designated investments - (Note 2)	312,357	316,558
Other investments - temporarily restricted (Note 2)	676,087	661,484
Student accounts receivable, net of allowance (Note 3)	301,104	187,365
Receivable from federal government (Note 4)	-	42,016
Othe current assets (Note 5)	48,452	91,717
Total current assets	<u>1,927,336</u>	<u>1,845,074</u>
Endowment investments (Note 2)		
Cash	5,162	5,154
Investments	641,030	620,967
Total endowment investments	<u>646,192</u>	<u>626,121</u>
Property and equipment, net of accumulated		
Depreciation and amortization (Note 6)	4,715,067	4,587,290
Total assets	<u><u>\$ 7,288,595</u></u>	<u><u>\$ 7,058,485</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable - overdraft	\$ 186,660	\$ 82,145
Accounts payable and credit cards (Note 12)	89,297	109,420
Employee retirement payable (Note 7)	10,000	10,000
Current portion of notes payable (Note 10 and 11)	243,829	195,661
Line of credit (Note 9)	100,000	397,467
Total current liabilities	<u>629,786</u>	<u>794,693</u>
Long-term liabilities		
Notes payable (Note 10 and 11)	3,562,060	3,365,498
Total long-term liabilities	<u>3,562,060</u>	<u>3,365,498</u>
Total liabilities:	<u>4,191,846</u>	<u>4,160,191</u>
Net assets:		
Unrestricted	879,877	1,244,290
Temporarily restricted	1,570,680	1,027,883
Permanently restricted	646,192	626,121
Total net assets	<u>3,096,749</u>	<u>2,898,294</u>
Total liabilities and net assets	<u><u>\$ 7,288,595</u></u>	<u><u>\$ 7,058,485</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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Educational				
Tuition and fees	\$ 1,552,445	\$ -	\$ -	\$ 1,552,445
Housing	216,737	-	-	216,737
Meals	131,841	-	-	131,841
Scholarships	15,480	-	-	15,480
Total educational	1,916,503	-	-	1,916,503
Private gifts and contributions	81,755	-	-	81,755
Church donations	99,325	-	-	99,325
Board of trustees	26,654	-	-	26,654
Fed Grants	1,003,811	566,680	-	1,570,491
Fundraising	105,886	-	-	105,886
Other income	34,733	-	-	34,733
Interest and Investment income	291	6,765	5,645	12,701
Realized gain (loss) on sale of investments	-	-	14,426	14,426
Unrealized gain (loss) on investments	-	(30,648)	-	(30,648)
Total revenues and support	3,268,958	542,797	20,071	3,831,826
Expenses				
Academic instruction and support	572,708	-	-	572,708
Student services	235,193	-	-	235,193
Institutional support	1,114,186	-	-	1,114,186
Operations and plant maintenance	661,762	-	-	661,762
Cafeteria services	146,510	-	-	146,510
Auxiliary services	72,184	-	-	72,184
Fed expenses	830,828	-	-	830,828
Total expenses	3,633,371	-	-	3,633,371
Change in net assets	(364,413)	542,797	20,071	198,455
Net assets at beginning of year	1,244,290	1,027,883	626,121	2,898,294
Net assets at end of year	\$ 879,877	\$ 1,570,680	\$ 646,192	\$ 3,096,749

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

AMERICAN BAPTIST COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Educational				
Tuition and fees	\$ 1,419,312	\$ -	\$ -	\$ 1,419,312
Housing	148,440	-	-	148,440
Meals	91,550	-	-	91,550
Scholarships	17,950	-	-	17,950
Total educational	1,677,252	-	-	1,677,252
Private gifts and contributions	92,300	2,000	1,000	95,300
Church donations	103,211	-	-	103,211
Board of trustees	33,718	-	-	33,718
Fed Grants	1,098,738	241,327	-	1,340,065
Fundraising	66,360	-	-	66,360
Other income	53,263	-	-	53,263
Interest and Investment income	-	7,057	2,060	9,117
Realized gain (loss) on sale of investments	-	-	5,515	5,515
Unrealized gain (loss) on investments	(2,600)	-	-	(2,600)
Net assets released from restriction	5,000	-	(5,000)	-
Total revenues and support	3,127,242	250,384	3,575	3,381,201
Expenses				
Academic instruction and support	559,538	-	-	559,538
Student services	281,954	-	-	281,954
Institutional support	1,130,587	-	-	1,130,587
Operations and plant maintenance	497,359	-	-	497,359
Cafeteria services	91,999	-	-	91,999
Auxiliary services	27,783	-	-	27,783
Fed expenses	418,579	-	-	418,579
Total expenses	3,007,799	-	-	3,007,799
Change in net assets	119,443	250,384	3,575	373,402
Net assets at beginning of year	1,124,847	777,499	622,546	2,524,892
Net assets at end of year	\$ 1,244,290	\$ 1,027,883	\$ 626,121	\$ 2,898,294

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

AMERICAN BAPTIST COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

	2016	2015
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 198,455	\$ 373,402
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	241,859	212,239
Net realized (gain) from investment	(14,426)	(5,515)
Net unrealized loss from investment	30,648	2,600
Increase in student accounts receivable	(113,739)	(147,476)
Decrease in federal funds receivable	42,016	52,040
Decrease in other current receivable	-	19,970
(Increase) decrease in other current assets	43,265	(91,717)
Increase in accounts payable - overdraft	104,515	82,145
(Decrease) increase in accounts payable	(20,124)	42,973
Increase (decrease) in other current payables	-	(2,290)
Net cash used in operating activities	<u>512,469</u>	<u>538,371</u>
Cash flows from investing activities		
Increase in restricted cash	(50,295)	(130,160)
Purchase of fixed assets	(357,522)	(3,836,681)
Net (purchase) sales of investments	<u>(58,808)</u>	<u>(161,845)</u>
Net cash provided by investing activities	(466,625)	(4,128,686)
Cash flows from financing activities		
(Payments to) Proceeds from line of credit	(297,467)	309,225
Proceeds from note payable	<u>244,731</u>	<u>3,080,785</u>
Net cash provided by financing activities	(52,736)	3,390,010
Net change in cash	(6,893)	(200,305)
Cash, beginning of year	15,473	215,778
Cash, end of year	<u>\$ 8,580</u>	<u>\$ 15,473</u>
Interest Paid	<u>\$ 230,376</u>	<u>\$ 121,123</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, 2016 AND JUNE 30, 2015

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

Basis of Presentation

The 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, 2016 AND JUNE 30, 2015

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 14 regarding the credit risk associated with cash and cash equivalents.) The College has classified as restricted, certain cash and cash equivalents that are not available for use in its operations. (See Note 2 and Note 8)

Investments

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

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

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

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.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

NOTE 2---INVESTMENTS

The College's investment as of June 30, 2016 and June 30, 2015, consists of the following:

<u>Unrestricted Investment</u>	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Certificate of Deposits and Mutual Funds	<u>\$ 14,076</u>	<u>\$ 14,076</u>	<u>\$ 164,044</u>	<u>\$ 164,044</u>

Board Designated Investments

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	<u>\$ 312,357</u>	<u>\$316,283</u>	<u>\$ 316,558</u>	<u>\$312,144</u>

Temporarily Restricted Investment

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Mutual funds and Certificates of Deposit	<u>\$ 676,087</u>	<u>\$ 574,509</u>	<u>\$661,484</u>	<u>\$571,881</u>

Endowment Investment

Boddie Chair of Excellence

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

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

NOTE 2---INVESTMENTS (Continued)

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Cash	\$ 5,162	\$ 5,162	\$ 5,154	\$ 5,154
Mutual funds	<u>377,448</u>	<u>362,543</u>	<u>369,497</u>	<u>328,910</u>
	\$ 382,610	\$ 367,705	\$ 374,651	\$ 334,064

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.

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 147,984	\$ 134,628	\$ 142,478	\$ 133,546

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.

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 115,598	\$ 104,340	\$ 108,992	\$ 99,786

Total Endowment Funds

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
<i>Total Endowment Funds</i>	<u>\$ 646,192</u>	<u>\$ 606,673</u>	<u>\$ 626,121</u>	<u>\$ 567,396</u>

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

NOTE 3---ACCOUNTS RECEIVABLE

Student accounts receivable is recorded as follows:

	2016	2015
Student accounts receivable	\$ 316,951	\$ 191,797
Less: allowance for doubtful accounts	<u>(15,847)</u>	<u>(4,432)</u>
Total	<u>\$ 301,104</u>	<u>\$ 187,365</u>

NOTE 4---OTHER CURRENT RECEIVABLES

Other receivables consist of the following:

	2016	2015
Receivables from Federal Gov't & others	\$ -	\$ 42,016
Total	<u>\$ -</u>	<u>\$ 42,016</u>

NOTE 5 – OTHER CURRENT ASSETS

Other current assets consist of the following:

	2016	2015
Loan Origination Fees, net of amortization	\$ 48,452	\$ 60,565
Down payment on capital asset	<u>-</u>	<u>31,152</u>
Total	<u>\$ 48,452</u>	<u>\$ 91,717</u>

NOTE 6---PROPERTY, PLANT AND EQUIPMENT

Fixed assets consist of the following:

	2016		2015
Land	\$ 20,000		\$ 20,000
Building and grounds	6,117,941		5,964,777
Equipment and furniture	602,159		369,673
Library books	1,037,185		1,028,333
Enrollment management software	327,785		327,785
Less: accumulated depreciation and amortization	<u>(3,390,003)</u>		<u>(3,123,278)</u>
	<u>\$ 4,715,067</u>		<u>\$ 4,587,290</u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$241,859 and \$212,239, respectively.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

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 \$ 10,000 for the years ended June 30, 2016 and 2015, respectively. The pension plan is 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 CASH

Temporarily restricted cash for the years ended June 30, 2016 and June 30, 2015 consisted of the following:

	2016	2015
Title III Funds	\$ 566,680	\$ 366,417

NOTE 9---LINE OF CREDIT

The College has a \$100,000 revolving line of credit with a financial institution with an interest rate of prime plus 1.4% and a maturity date of January 18, 2017. The balance on the line of credit was \$100,000. The previous line of credit of \$500,000 with a balance of \$397,467 at June 30, 2015 was closed in 2016.

NOTE 10—BUSINESS LOAN NOTE PAYABLE

The College has a \$3,400,000 business loan with a financial institution with an interest rate of 5% and a maturity date of May 19, 2020. The loan is secured by all buildings, structures and improvements, including all equipment, machinery, fixtures, furnishings, goods and personal property. Additional security includes title and interest in all leases, tenant contracts, rental agreements and other similar agreements. The original promissory note dated December 05, 2014, with a maturity date of May 05, 2015, included the payment of \$60,565 in loan fees, including origination fee and other charges. These loan fees are amortized over the life of the loan. The loan was renewed on May 19, 2015 with a maturity date of May 10, 2020. The loan is payable in monthly installments of \$26,887 beginning June 19, 2015, included principal and interest with final payment due on May 19, 2020. The loan balance as of June 30, 2016 was \$3,185,698.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

NOTE 10—BUSINESS LOAN NOTE PAYABLE (Continued)

Estimated loan maturities for the next five years are as follows:

2017	\$ 164,867
2018	173,301
2019	182,167
2020	2,665,363
	<u>\$ 3,185,698</u>

NOTE 11--- OTHER NOTES PAYABLE

The College has a mortgage obligation to a financial institution bearing interest at 4.76%. The loan is collateralized by a Deed of Trust covering real estate located at 1823 Haynes Meade Ct, Nashville, TN 37207. The College used the mortgage to finance the purchase of the property. The loan balance as of June 30, 2016 and June 30, 2015 was \$39,882 and \$40,328 respectively.

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

2017	3,090
2018	3,240
2019	3,398
2020	3,553
2021	3,725
Thereafter	22,876
	<u>\$ 39,882</u>

The College also owed a balance of \$61,686 as of June 30, 2016 to a vendor for enrollment management software purchased. Estimated maturities for the next five years are as follows:

2017	\$ 26,503
2018	26,503
2019	8,680
	<u>\$ 61,686</u>

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

NOTE 11--- OTHER NOTES PAYABLE (Continued)

The College entered into a loan agreement bearing an interest rate of 6.37% for the purchase of a vehicle with a balance of \$33,464 and \$44,420 as of June 30, 2016 and June 30, 2015, respectively. Future maturities are as follows:

2017	\$ 10,027
2018	10,673
2019	11,370
2020	1,394
	<u>\$ 33,464</u>

The College has an unsecured \$500,000 business loan with a financial institution with an interest rate of 5.1% and a maturity date of May 24, 2026 with a balance of \$485,159 and \$0 as of June 30, 2016 and June 30, 2015, respectively. Future maturities are as follows:

2017	\$ 39,342
2018	41,396
2019	43,558
2020	45,832
2021	48,225
Thereafter	266,806
	<u>\$ 485,159</u>

NOTE 12--- ACCOUNTS PAYABLE AND CREDIT CARDS

The College maintains four revolving credit plans with interest rates ranging from 10.99% to 23.99%. Three of the credit plans have a total credit limit of \$63,500. One of the credit plans has an unlimited credit limit. The balance of these plans at June 30, 2016 and June 30, 2015 was \$89,297 and \$109,420, respectively.

NOTE 13—OPERATING LEASES

The College leases certain office equipment under the terms of an operating lease. Equipment rental expense for the year ended June 30, 2016 was \$13,029. Future minimum lease payments are as follows:

2017	\$ 12,736
2018	12,736
2019	<u>12,736</u>
Total	<u>\$ 38,208</u>

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

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.

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, 2016 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 626,121	\$ 626,121
Investment return:				
Investment income	-	-	5,645	5,645
Net appreciation(depreciation)	-	-	14,426	14,426
Total investment increase	-	-	20,071	20,071
Contributions	-	-	-	-
Less: Investment return used for operation	-	-	-	-
Endowment net assets, end of year	\$ -	\$ -	\$ 646,192	\$ 646,192

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

Changes in endowment and other net assets for the fiscal year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 622,546	\$ 622,546
Investment return:				
Investment income	-	-	2,060	2,060
Net appreciation(depreciation)	-	-	5,515	5,515
Total investment decrease	-	-	7,575	7,575
Contributions	-	-	1,000	1,000
Less: Investment return used for operation	-	-	(5,000)	(5,000)
Endowment net assets, end of year	\$ -	\$ -	\$ 626,121	\$ 626,121

Funds with Deficiencies:

The fair value of assets associated with individual donor-restricted endowment funds, from time to time, may fall below the level that the donor or UPMIFA (as enacted by the State of Tennessee) requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2016 and June 30, 2015.

NOTE 15---SUBSEQUENT EVENTS

The line of credit in Note 9 matured, was paid off and closed upon maturity on January 18, 2017. There were no other subsequent events requiring disclosure as of February 16, 2017, the date management evaluated such events. February 16, 2017, is the date the financial statements were available to be issued.

AMERICAN BAPTIST COLLEGE

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

JUNE 30, 2016



AMERICAN BAPTIST COLLEGE

Table of Contents

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE.....	1-3
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	4-5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	6
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	8-11
STATUS OF PRIOR YEAR FINDINGS.....	12



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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, 2016. *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, 2016.

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 [2016-002 and 2016-003]. 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.

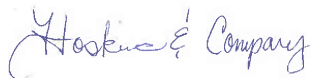
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material 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 questioned costs that we consider to be significant deficiencies [2016-002 and 2016-003].

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, 2016, and have issued our report thereon dated February 16, 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
March 27, 2017



CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of American Baptist College (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 March 27, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs we consider to be a material weaknesses. [2016-001]

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
Nashville, TN
March 27, 2017

AMERICAN BAPTIST COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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	-	6,779	(6,779)	-
Federal College Work Study	84.033	(2,770)	5,108	(4,016)	(1,678)
Federal Pell Grant	84.063	-	575,731	(575,731)	-
Federal Direct Student Loans	84.268	-	1,372,844	(1,368,144)	4,700
Total Student Financial Aid		7,189	1,960,462	(1,954,670)	3,022
Other Grants					
Title III Part B HBCU	84.031B	355,492	1,094,495	(1,020,540)	429,447
Title III Part F SAFRA	84.031B	10,925	473,496	(347,188)	137,233
		366,417	1,567,991	(1,367,728)	566,680
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 373,606	\$ 3,528,453	\$ (3,322,398)	\$ 569,702

AMERICAN BAPTIST COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, 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, 2016, the College processed \$1,368,144 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 March 27, 2017; the date management evaluated such events that require disclosures. March 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, 2016**

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?	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:

CFDA NUMBER	NAME OF FEDERAL PROGRAM	AMOUNT EXPENDED
84.007	Federal Supplemental Educational Opportunity Grant	\$ 6,779
84.033	Federal College Work Study	4,016
84.063	Federal Pell Grant	575,731
84.268	Federal Direct Student Loans	1,368,144
84.031B	Title III Part B HBCU	1,020,540
84.031B	Title III Part F SAFRA	347,188

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, 2016**

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

A. WEAKNESSES OVER CURRENT ACCOUNTING SYSTEM

2016-001

Criteria

Amounts recorded in the general ledger should be recorded when transactions occur, supported by proper documentation and properly reconciled throughout the year and at year end.

Condition, Context and Cause

During our review of the College's accounting system, Hoskins & Company noted several instances when the accounting was not performed timely, completely, or accurately. As a result, there were several audit adjustments proposed and recorded to ensure that financial statements were properly stated.

Many of the issues related to the accounting system are due to the small staff size in the business office and the lack of sufficiently detailed or written procedures to enable the staff to perform the required activities in an accurate and timely manner.

Effect

The effect of not having an adequate accounting system has caused inaccurate interim financial reporting and could lead to noncompliance with related legal and accounting issues.

Recommendations

Hoskins & Company recommends that the College improve its accounting by considering working with someone with both higher education and significant nonprofit accounting experience to assist in the proper recording and classification of transaction in a timely manner.

Management Response

- American Baptist College is in agreement with this finding.
- ABC will update our Business Office Policies & Procedures to address issues of timeliness of financial entries.
- ABC will determine an appropriate resolution for increasing business office staff familiarity with best practices accounting principles and methods within available resources (ie., contracting with an accounting service or adding staff).

**AMERICAN BAPTIST COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION III – Findings and Questioned Costs for Federal Awards

B. CURRENT AUDIT COMPLIANCE FINDINGS –

2016-002

Criteria

Documentation for student work study should be available to support agreements made, departments the students are assigned to, as well as the amount awarded to each student.

Condition, Context and Cause

During our review of the College's Federal Work Study documentation, Hoskins & Company noted that there were no written or signed agreements stating that students were to receive Federal Work Study Funds, they being paid at least minimum wage, or the departments they were assigned to.

Effect

The effect of not having an adequate records on file could lead to inaccurate reporting of work study funds awarded, and expended, as well as non-compliance for documentation support.

Recommendations

Hoskins & Company recommends that the College improve its filing system by placing all documents in relation to student aid in the student's permanent file.

Management Response

- American Baptist College is in agreement with this finding.
- ABC will implement a process that assures that all student work-related award programs are overseen by one office and make certain that the necessary documents are maintained in the appropriate student files.

**AMERICAN BAPTIST COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

2016-003

Criteria

All male students are required to register with the United States Selective Service Agreement in order to receive financial aid.

Condition, Context and Cause

During our review of the College's Federal Work Study documentation, Hoskins & Company noted that there was a male student who received financial aid who did not register with Selective Service.

Effect

The effect of not having been registered, but still receiving funds, could result in the student's eligibility to receive aid being revoked in the future.

Recommendations

Hoskins & Company recommends that the College verify that the student is eligible to receive aid, before aid is distributed.

Management Response

- American Baptist College is in agreement with this finding.
- ABC will immediately require affected male students to submit proof of compliance with the Selective Service registration requirements as a condition for future registration. Said documentation will be maintained in the appropriate student files.

**AMERICAN BAPTIST COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

PRIOR YEAR – Status of Prior Audit Findings and Questioned Costs

Item#	Description of Condition	Status of Corrective Action
2015-F1	Internal Control over Accounting	This finding has been repeated in the current year. See <u>2016-001</u>