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**AMERICAN BAPTIST COLLEGE**  
**INDEPENDENT AUDITORS' REPORT,**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2014 AND JUNE 30, 2013**



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, 2014, and June 30, 2013, 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, 2014, and June 30, 2013, 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.

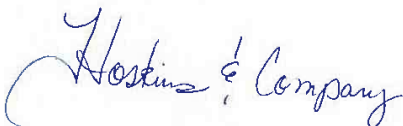
## **Other Matters**

### *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 12, 2014, 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.

A handwritten signature in blue ink that reads "Hoskins & Company". The signature is stylized with a large, flowing initial 'H' and a cursive script for the rest of the name.

Hoskins & Company  
November 12, 2014

**AMERICAN BAPTIST COLLEGE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND JUNE 30, 2013**

	2014	2013
<b>Assets</b>		
Current assets:		
Cash-operating	\$ 215,778	\$ 132,147
Cash - temporarily restricted Lilly fund (Note 8)	111,168	257,097
Cash- reserve fund	125,090	-
Certificate of deposit board designated (Note 2)	14,711	9,035
Board designated investments - ( Note 2)	316,697	198,091
Money markets - temporarily restricted (Note 2)	-	50,124
Certificate of deposit - temporarily restricted (Note 2)	-	95,739
Other investments - temporarily restricted (Note 2)	652,409	425,535
Student accounts receivable, net of allowance (Note 3)	39,889	182,868
Receivable from federal government (Note 4)	94,056	23,991
Other current receivable (Note 4)	19,970	-
Total current assets	<u>1,589,768</u>	<u>1,374,628</u>
Endowment investments (Note 2)		
Cash	5,146	5,139
Investments	617,400	616,145
Total endowment investments	<u>622,546</u>	<u>621,284</u>
Property and equipment, net of accumulated Depreciation and amortization (Note 5)	<u>1,009,232</u>	<u>660,627</u>
Total assets	<u><u>\$ 3,221,546</u></u>	<u><u>\$ 2,656,539</u></u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 66,447	\$ 76,213
Employee retirement payable (Note 7)	10,000	-
Current portion of notes payable (Note 10)	38,105	31,480
Security deposits	-	13,125
Line of credit (Note 10)	406,068	36,294
Other current payables (Note 6)	2,290	-
Total current liabilities	<u>522,910</u>	<u>157,112</u>
Long-term liabilities		
Notes payable (Note 10)	173,744	114,174
Total long-term liabilities (Note 10)	<u>173,744</u>	<u>114,174</u>
Total liabilities:	<u>696,654</u>	<u>271,286</u>
Net assets:		
Unrestricted	1,093,605	935,474
Temporarily restricted	808,741	828,495
Permanently restricted	622,546	621,284
Total net assets	<u>2,524,892</u>	<u>2,385,253</u>
Total liabilities and net assets	<u><u>3,221,546</u></u>	<u><u>\$ 2,656,539</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, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Support</b>				
Educational				
Tuition and fees	\$ 1,302,058	\$ -	\$ -	\$ 1,302,058
Housing	80,536	-	-	80,536
Meals	63,438	-	-	63,438
Scholarships	17,635	-	-	17,635
Total educational	1,463,667	-	-	1,463,667
Private gifts and contributions	57,388	-	-	57,388
Church donations	153,471	-	-	153,471
Board of trustees	45,795	-	-	45,795
NBC	42,984	-	-	42,984
Fed Grants	375,000	-	-	375,000
Fundraising	65,134	-	-	65,134
Other income	61,464	-	-	61,464
Realized gain (loss) on sale of investments	39,571	729	-	40,300
Unrealized gain (loss) on investments	658	65,554	1,262	67,474
Net assets released from restriction	86,037	(86,037)	-	-
Total revenues and support	2,391,169	(19,754)	1,262	2,372,677
<b>Expenses</b>				
Academic instruction and support	559,006	-	-	559,006
Student services	186,716	-	-	186,716
Institutional support	729,404	-	-	729,404
Operations and plant maintenance	454,877	-	-	454,877
Cafeteria services	115,793	-	-	115,793
Auxiliary services	13,643	-	-	13,643
Fed expenses	173,599	-	-	173,599
Total expenses	2,233,038	-	-	2,233,038
Change in net assets	158,131	(19,754)	1,262	139,639
Net assets at beginning of year	935,474	828,495	621,284	2,385,253
Net assets at end of year	\$ 1,093,605	\$ 808,741	\$ 622,546	\$ 2,524,892

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	354,395	(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 CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

	2014	2,013
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 139,639	(332,633)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Prior period net asset adjustment	-	(71,843)
Depreciation and amortization	141,178	125,144
Net realized gain from investment	(40,300)	(9,453)
Net unrealized gain from investment	(67,474)	(55,605)
Decrease (increase) in student accounts receivable	142,979	(28,858)
(Increase) decrease in other current receivable	(90,035)	39,273
Decrease in inventory	-	2,588
(Decrease) increase in accounts payable	(9,766)	53,114
Increase (decrease) in employee retirement payable	10,000	(31,700)
Decrease (increase) in security deposits	(13,125)	1,625
Increase (decrease) in other current payables	2,290	(12,916)
Net cash used in operating activities	215,386	(321,264)
<b>Cash flows from investing activities</b>		
Decrease (increase) in restricted cash	20,836	(20,937)
Purchase of fixed assets	(489,783)	(203,326)
Net (purchase) sales of investments	(98,776)	553,555
Net cash provided by investing activities	(567,723)	329,292
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	369,773	294
Proceeds from note payable	66,195	97,870
Net cash provided by financing activities	435,968	98,164
Net change in cash	83,631	106,192
Cash, beginning of year	132,147	25,955
Cash, end of year	\$ 215,778	132,147

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, 2014 AND JUNE 30, 2013**

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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 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, 2014 AND JUNE 30, 2013**

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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 12 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, 2014 AND JUNE 30, 2013**

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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.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

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**NOTE 2---INVESTMENTS**

The College's investment as of June 30, 2014 and June 30, 2013, consists of the following:

Board Designated Investments

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 316,397	\$306,091	\$ 198,091	\$ 185,384

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 14,711	\$ 14,711	\$ 9,035	\$ 9,035

Unrestricted Investment

Temporarily Restricted Investment

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Money Market	\$ -	\$ -	\$ 50,124	\$ 46,482
CD	-	-	95,739	95,739
Mutual funds	652,409	570,333	425,535	383,926
	<u>\$ 652,409</u>	<u>\$ 570,333</u>	<u>\$ 571,398</u>	<u>\$ 526,147</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, 2014 AND JUNE 30, 2013**

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	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Cash	\$ 5,146	\$ 5,146	\$ 5,139	\$ 5,139
Mutual funds	<u>369,454</u>	<u>328,910</u>	<u>380,287</u>	<u>351,583</u>
	<u>\$ 374,600</u>	<u>\$ 334,056</u>	<u>\$ 385,426</u>	<u>\$ 356,722</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.

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 142,370	\$ 132,041	\$ 139,083	\$ 132,233

*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.

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 105,576	\$ 96,083	\$ 96,775	\$ 92,793

Total Endowment Funds

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
<i>Total Endowment Funds</i>	<u>\$ 622,546</u>	<u>\$ 562,180</u>	<u>\$ 621,284</u>	<u>\$ 581,748</u>

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

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**NOTE 3---ACCOUNTS RECEIVABLE**

Student accounts receivable is recorded as follows:

	2014	2013
Student accounts receivable	\$ 44,321	\$ 205,582
Less: allowance for doubtful accounts	(4,432)	(22,713)
Total	<u>\$ 39,889</u>	<u>\$ 182,869</u>

**NOTE 4---OTHER CURRENT RECEIVABLES**

Other receivables consist of the following:

	2014	2013
Receivables from Federal Gov't & others	\$ 94,056	\$ 23,991
Other receivables	19,970	-
Total	<u>\$ 114,026</u>	<u>\$ 23,991</u>

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

Fixed assets consist of the following:

	2014	2013
Land	\$ 20,000	\$ 20,000
Building and grounds	2,254,949	1,831,311
Equipment and furniture	345,488	279,343
Library books	1,028,333	1,028,333
Enrollment management software	286,550	286,550
Less: accumulated depreciation and amortization	(2,926,088)	(2,784,910)
	<u>\$ 1,009,232</u>	<u>\$ 660,627</u>

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was \$141,178 and \$125,144, respectively.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

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

Other current payables at June 30, 2014 and June 30, 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Student tuition overpayments	\$ 1,696	\$ -
Garnishment payable	<u>594</u>	<u>-</u>
Total	<u>\$ 2,290</u>	<u>\$ -</u>

**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 and \$0 for the years ended June 30, 2014 and 2013, 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, 2014 and June 30, 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Lilly Funds	\$ 111,168	\$ 257,097
Title III Funds	<u>125,090</u>	<u>-</u>
Total	<u>\$ 236,258</u>	<u>\$ 257,097</u>

. The restriction is the result of Lilly and Title III funds.

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

The College has two lines of credit with financial instructions. The first revolving line is \$1,200,000 with an interest rate of 5% and a maturity date of June 10, 2015. The balance at June 30, 2014 and June 30, 2013 was \$268,524 and \$0, respectively. The second revolving line of credit is \$303,175 with an interest rate of 5% and a maturity date of March 28, 2015. The balance on the line of credit was \$137,544 and \$36,294, for the years ended June 30, 2014 and June 30, 2013, respectively.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

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**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 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, 2014 and June 30, 2013 was \$43,061 and \$45,254 respectively.

Loan maturities for each of the five years following June 30, 2014, are as follows:

2015	2,810
2016	2,947
2017	3,090
2018	3,240
2019	3,398
Thereafter	27,576
	<u>43,061</u>

The College also owed a balance of \$115,200 as of June 30, 2014 to a vendor for enrollment management software purchased. The purchase was made with an installment payment with no interest. The outstanding installment balances as of June 30, 2014, are as follows:

2015	26,503
2016	26,503
2017	26,503
2018	26,503
2019	9,188
	<u>115,200</u>

The College entered into a loan agreement for the purchase of a vehicle with a balance of \$53,588 as of June 30, 2014 and bearing an interest rate of 6.37%. The outstanding installment balances as of June 30, 2014, are as follows:



**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

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2015	8,792
2016	9,369
2017	9,983
2018	10,638
2019	11,336
Thereafter	3,470
	53,588

The total outstanding balance on the college's notes payable as of June 30, 2014 and June 30, 2013 was \$211,849 and \$145,654 respectively. The amount currently due as of June 30, 2014 and June 30, 2013 was \$38,105 and \$31,480 respectively.

**NOTE 11---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 the broker as of June 30, 2014 and June 30, 2013, was \$0 and \$940,089, respectively.

**NOTE 12---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 \$202,036 and \$197,614, at June 30, 2014, and June 30, 2013, respectively.

**NOTE 13---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.

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

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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, 2014 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 621,284	\$ 621,284
Investment return:				
Investment income	-	-	7	7
Net appreciation(depreciation)	-	-	1,255	1,255
Total investment decrease	-	-	1,262	1,262
Contributions	-	-	-	-
Less: Investment return used for operation	-	-	-	-
Endowment net assets, end of year	\$ -	\$ -	\$ 622,546	\$ 622,546

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

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

	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

**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, 2014 and June 30, 2013.

**NOTE 14---SUBSEQUENT EVENTS**

There were no subsequent events requiring disclosure as of November 12, 2014, the date management evaluated such events. November 12, 2014, is the date the financial statements were available to be issued.



**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, 2014, 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 12, 2014.

**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.

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-2014-F1** to be a 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**

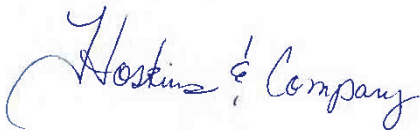
As part of obtaining reasonable assurance about whether American Baptist College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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.

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

Hoskins & Company  
November 12, 2014

## **SUPPLEMENTAL INFORMATION**

**AMERICAN BAPTIST COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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		\$ 5,935
Federal College Work Study	84.033		5,123
Federal Pell Grant	84.063		431,023
Federal Direct Student Loans	84.268		<u>1,231,661</u>
Total Student Financial Aid			<u>1,673,742</u>
Other Grants			
Historically Black Colleges and Universities Program	84.031B		<u>385,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 2,058,742</u></b>

**AMERICAN BAPTIST COLLEGE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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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, 2014, and is presented using the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133 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, 2014, the College processed \$1,231,661 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 12, 2014; the date management evaluated such events that require disclosures. November 12, 2014, 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, 2014**

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

**A. INTERNAL CONTROL –**

**ABC-2014-F1**

Transactions relating to the addition of non-current assets, sales and purchase of investments, and recording of revenue and associated accounts receivable were not consistently recorded and properly classified. This resulted in the Hoskins & Company proposal to record 12 adjustments to the general ledger to ensure that the financial statements were fairly stated.

Hoskins & Company recommends that management consider an addition of an accountant to the business office staff to assist in the proper recording and classification of transactions. Hoskins & Company also recommends an internal review of transactions as part of the internal controls process.

**Management Response**

This recommendation is currently under serious consideration by management. A job description for the additional team member is being developed to include an accounting background.

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

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*Prior Audit Findings and Questioned Costs*

A. INTERNAL CONTROL –

**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.*

**Current Status**

*Improper recording and or classification of financial transactions is still an issue. Management has responded to **2014-F1**.*