

AMERICAN BAPTIST COLLEGE
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
JUNE 30, 2010 AND JUNE 30, 2009

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

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INDEPENDENT AUDITORS' REPORT

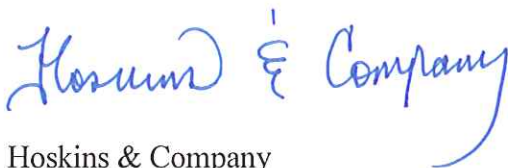
To the Board of Trustees of
American Baptist College

We have audited the accompanying statements of financial position of American Baptist College as of June 30, 2010 and June 30, 2009, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of American Baptist College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Baptist College as of June 30, 2010 and June 30, 2009, and changes in its net assets and cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010, on our consideration of American Baptist College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Hoskins & Company
September 28, 2010

AMERICAN BAPTIST COLLEGE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010 AND JUNE 30, 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 416,935	\$ 461,476
Certificate of deposit	8,726	8,534
Board designated investments (Note 4)	214,824	198,165
Other investments - unrestricted (Note 4)	6,092	5,724
Certificate of deposit - temporarily restricted (Note 4)	1,150,017	1,489,814
Other investments - temporarily restricted (Note 4)	158,544	168,772
Student accounts receivable, less allowance for doubtful accounts of \$10,113 and \$43,50 (Note 3)	66,654	112,634
Other current receivable (Note 5)	69,970	-
Prepaid asset-enterprise software (Note 6)	69,000	-
Inventory	7,169	10,985
Due from temporarily restricted funds	96,519	150,848
Total current assets	<u>2,264,450</u>	<u>2,606,952</u>
Endowment investments (Note 4)		
Cash and cash equivalents	2,333	2,326
Investments	954,574	873,214
Total endowment investments	<u>956,907</u>	<u>875,540</u>
Property and equipment (Note 7)		
Land and buildings	1,582,002	1,581,792
Land improvements	28,470	-
Equipment and furniture	247,861	246,664
Library books	1,028,333	1,028,333
Leased equipment	-	56,298
Less accumulated depreciation and amortization	(2,402,459)	(2,379,348)
Total property and equipment	<u>484,207</u>	<u>533,739</u>
Total assets	<u>\$ 3,705,564</u>	<u>\$ 4,016,231</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 51,541	\$ 42,093
Line of credit payable (Note 9)	68,000	-
Due to unrestricted funds	96,519	150,848
Student tuition overpayments	277	792
Security deposits	8,365	8,140
Total current liabilities/total liabilities	<u>224,702</u>	<u>201,873</u>
Net assets:		
Unrestricted	1,293,159	1,438,830
Temporarily restricted	1,238,064	1,508,036
Permanently restricted	949,639	867,492
Total net assets	<u>3,480,862</u>	<u>3,814,358</u>
Total liabilities and net assets	<u>\$ 3,705,564</u>	<u>\$ 4,016,231</u>

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

AMERICAN BAPTIST COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Educational				
Tuition and fees	\$ 420,739	\$ -	\$ -	\$ 420,739
Housing	49,570	-	-	49,570
Bookstore	-	-	-	-
Extension centers	17,941	-	-	17,941
Food Services	-	-	-	-
Less scholarships	(45,968)	-	-	(45,968)
Total educational	442,282	-	-	442,282
Private gifts and contributions	349,650	2,000	2,300	353,950
Church donations	143,103	-	-	143,103
Board of trustees	39,700	-	-	39,700
Investment income	24,600	6,859	6,396	37,855
Fundraising	77,750	-	-	77,750
Other Income	12,666	-	-	12,666
Realized gain(loss) on sale of investmen	(9,237)	(2,166)	(33,233)	(44,636)
Unrealized gain on investments	45,509	13,831	152,934	212,274
Net assets released from restriction	336,746	(290,496)	(46,250)	-
Total revenues and support	1,462,769	(269,972)	82,147	1,274,944
Expenses				
Academic instruction and support	656,484	-	-	656,484
Student services	36,944	-	-	36,944
Institutional support	563,909	-	-	563,909
Operations and plant maintenance	336,701	-	-	336,701
Auxiliary services	14,402	-	-	14,402
Total expenses	1,608,440	-	-	1,608,440
Change in net assets	(145,671)	(269,972)	82,147	(333,496)
Net assets at beginning of year	1,438,830	1,508,036	867,492	3,814,358
Net assets at end of year	\$ 1,293,159	\$ 1,238,064	\$ 949,639	\$ 3,480,862

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

AMERICAN BAPTIST COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

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

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

AMERICAN BAPTIST COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

	2010	2009
Cash flows from operating activities		
(Decrease)increase in Net assets	\$ (333,496)	\$ 284,709
Adjustments to reconcile net income to net cash provided(used) by operating activities:		
Depreciation and amortization	79,408	74,050
Realized loss from investment	44,636	35,745
Unrealized (gain)loss from investment	(212,274)	564,104
Decrease(increase) in accounts receivable	45,980	(10,806)
(Increase)decrease in other current receivable	(69,970)	110,552
Increase in prepaid asset	(69,000)	-
Decrease in inventory	3,816	1,784
Increase in accounts payable	9,448	24,249
Increase in line of credit payable	68,000	-
Decrease in student tuition overpayment	(515)	(23,089)
Increase in security deposits	225	600
Net cash (used) provided by operating activities	(433,742)	1,061,898
Cash flows from investing activities		
Purchase of fixed assets	(29,876)	(25,439)
Net sales(purchase) of investments	419,084	(799,109)
Net cash provided (used) in investing activities	389,208	(824,549)
Cash flows from financing activities	-	-
Net change in cash and cash equivalents	(44,534)	237,350
Cash and cash equivalents, beginning of year	463,802	226,452
Cash and cash equivalents, end of year	\$ 419,268	\$ 463,802

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, 2010 AND JUNE 30, 2009

Note 1---Nature of Organization

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

Note 2---Summary of Significant Accounting Policies

Support and Expenses

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

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

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, to disclose contingent assets and liabilities at the date of the financial statements, and to report amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

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 4**)

Investments

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

Accounts Receivable

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

Inventories

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

Property, Plant and Equipment

Land and buildings, building improvements, library holdings, equipment and furniture acquisitions are recorded at cost, or if contributed, at fair market value at the date of gift. These assets are being depreciated on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 60 years.

Deferred Revenues

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

Income Taxes

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

Compensated Absences

Employees of the College are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. It is not practicable for the College to estimate the amount of compensation for future absences; accordingly no liability for compensated absences has been recorded in the accompanying financial statements. The College's policy is to recognize the costs of compensated absences when actually paid to employees.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

Reclassifications

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

Note 3---Accounts Receivable

Student accounts receivable is recorded as follows:

	<u>2010</u>	<u>2009</u>
Student accounts receivable	\$76,767	\$156,135
Less: allowance for doubtful accounts	<u>10,113</u>	<u>43,501</u>
Total	<u>\$66,654</u>	<u>\$ 112,634</u>

Note 4---Investments

Board Designated Investments

	<u>2010</u>		<u>2009</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<i>Mutual funds</i>	\$ 201,567	\$ 201,567	\$ 175,600	\$ 154,939
<i>Interest on CD</i>	<u>13,257</u>	<u>13,257</u>	<u>22,565</u>	<u>22,566</u>
	<u>\$ 214,824</u>	<u>\$ 214,824</u>	<u>\$ 198,165</u>	<u>\$ 177,505</u>

Unrestricted Investment

	<u>2010</u>		<u>2009</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<i>Mutual funds</i>	\$6,092	\$5,791	\$5,724	\$5,696

Temporarily Restricted

	<u>2010</u>		<u>2009</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<i>Certificate of Deposits</i>	\$1,150,017	\$1,150,017	\$1,489,814	\$1,489,814
<i>Certificate of Deposits</i>				
<i>Mutual funds</i>	<u>158,544</u>	<u>134,113</u>	<u>168,772</u>	<u>133,127</u>
	<u>\$1,308,561</u>	<u>\$1,284,130</u>	<u>\$1,658,586</u>	<u>\$1,622,941</u>

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

Endowment Funds

The College is planning to adopt, effective July 1, 2010, 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 has enacted the provisions of UPMIFA in 2007. The College's endowment funds consist of 7 individual funds established for a variety of purposes.

Management will consider to present a summary of FSP 117-1 to members of the Board of Trustees in March 2011, and fully anticipates that the Board will interpret the UPMIFA, as enacted by the state of Tennessee, effective July 1, 2010, 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.

Boddie Chair of Excellence

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

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
<i>Cash and Cash</i>				
<i>Equivalents</i>	\$ 2,333	\$ 2,333	\$ 2,326	\$ 2,326
<i>Mutual funds</i>	<u>242,632</u>	<u>262,837</u>	<u>204,119</u>	<u>186,863</u>
	<u>\$ 244,965</u>	<u>\$ 265,170</u>	<u>\$ 206,445</u>	<u>\$ 189,189</u>

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

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.

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 128,083	\$ 124,319	\$ 123,732	\$ 123,860

The Wardin Scholarship Fund

This fund was established by Albert and Lucile Wardin for scholarships. Only income from the fund shall be paid to the College for scholarships. However, no income shall be drawn until the fund has reached a total of \$100,000.

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 67,417	\$ 84,722	\$ 61,292	\$ 82,878

The Mary Ross Endowment Fund

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

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 1,776	\$ 1,766	\$ 1,588	\$2,326

Operation Endowment Fund

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

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$46,425	\$46,425	\$ 37,217	\$50,625

Faculty Endowment

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

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 124,271	\$ 219,123	\$ 109,819	\$ 219,123
<i>Annuity</i>	<u>324,422</u>	<u>278,487</u>	<u>319,737</u>	<u>319,737</u>
	<u>\$ 448,693</u>	<u>\$ 497,610</u>	<u>\$ 429,556</u>	<u>\$ 538,860</u>

Tuition Endowment

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

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 19,548	\$ 19,548	\$ 15,710	\$ 21,023

Total Endowment Funds

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
<i>Total Endowment Funds</i>	<u>\$956,907</u>	<u>\$1,039,560</u>	<u>\$875,540</u>	<u>\$ 1,008,761</u>

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

Note 5---Other Current Receivable

Other receivable consists of the following:

	<u>2010</u>	<u>2009</u>
Receivable from Federal Gov't & Other	\$ 1,970	\$ -
Receivable from Line of Credit (Note 9)	<u>68,000</u>	<u>-</u>
Total	<u>\$ 69,970</u>	<u>\$ -</u>

Note 6---Prepaid Asset

The College signed a contract with Three Rivers Systems, Inc. as of May 24, 2010 to have an enterprise software system installed by Three Rivers Systems, Inc. for its students' enrollment management. The total cost of the software is \$169,100 to be paid in three installments. The total payment as of June 30, 2010 was \$69,000. The college recorded this as a prepaid asset since no work was performed as of June 30, 2010.

Note 7---Property, Plant and Equipment

Fixed assets consist of the following:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Land	\$ 20,000	\$ 20,000
Building and grounds	1,562,002	1,561,792
Equipment and furniture	28,470	246,664
Leased equipment	247,861	56,298
Library books	1,028,333	1,028,333
Accumulated depreciation	<u>(2,402,459)</u>	<u>(2,379,348)</u>
	<u>\$ 484,207</u>	<u>\$ 533,739</u>

Depreciation and amortization expense for the years ended June 30, 2010 and 2009 was \$79,408 and \$74,050, respectively.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

Note 8---Retirement Plan

The College provides a retirement program in which employees are eligible to participate upon completion of one year of service. The College contributes 5% of eligible employees' salaries. Under this plan, costs are funded as they accrue. Pension expense was \$20,436 and \$0 for the years ended June 30, 2010 and 2009 respectively. The pension plans are defined contribution annuity plans. Under the plans, participants' actuarial values are equal to or less than the accumulated value of the assets. There are no unfunded actuarial prior service or post service benefits and no funded value of accrued plan benefits.

Note 9---Line Of Credit

The College has a \$250,000 revolving line of credit with a financial institution with an interest rate of 4.50%. The principal and any interest are due on demand. The College requested a loan as of June 29, 2010 from its line of credit in the amount of \$68,000. The loan was processed on the day of request; however, the money was received after year end on July 2, 2010. Hence, the College recorded this as line of credit payable, and other current receivable (as indicated on **Note 5**).

Note 10---Net Assets Released From Restrictions

Donor-imposed restrictions on temporarily restricted net assets expired for awarding of scholarships and grant expenditures for Vibrant Ministries. For the years ended June 30, 2010 and 2009, the amount was \$ 290,496 and \$279,892, respectively.

As of June 30, 2010 and 2009, investment earnings of \$46,250 were released from permanently restricted net assets in each year.

Note 11---Related Party Transactions

A member of the Board of Trustees is a broker for several of the College's investments. The fair market value of the mutual funds managed by this broker as of June 30, 2010 and June 30, 2009 was \$691,326 and \$633,892, respectively.

Note 12---Concentration of Credit Risk

At June 30, 2010 and June 30, 2009, the College had cash on deposit in financial institutions that exceeded the federally insured coverage limitation (FDIC) of \$250,000. Total excess cash in these institutions were \$257,978 and \$227,592 at June 30, 2010 and June 30, 2009, respectively. Additionally, the college had investment securities on CDs that exceeded Securities Investor Protection Corporation (SIPC) coverage limitation of \$500,000. Total excess values of securities were \$512,908 and \$500,000 at June 30, 2010 and June 30, 2009 respectively.

**AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009**

Note 13---Subsequent Events

The College started a new graduate level program that offers a Master of Arts in Pastoral Studies subsequent to the fiscal period ended June 30, 2010. The two years – 63 hour Master's Degree program began in August 2010.

**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
American Baptist College

We have audited the financial statements of American Baptist College as of and for the years ended June 30, 2010, and have issued our report thereon dated September 28, 2010. We conducted our audits in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 consider the following deficiencies in the College's internal control to be significant deficiencies:

1. The College does not have a formal accounting policies and procedures manual, documenting the procedures for fiscal operations for the fiscal period ended June 30, 2010. Hence, there was no policy regarding long held student receivables, allowance for uncollectible accounts, and the time period that stipulates when those long outstanding balances should be written off as uncollectible.

Management's Response: While it is true that our Accounting Policies & Procedures Manual was not a "completed document" at the end of the fiscal year. In fact, it is still under construction at that time. This draft of document was made available to auditor for his review and recommendations.

It was suggested that we submit the "DRAFT" of the document to the board for their review during the upcoming October 2010 meeting. In my discussions with our Auditor, it was suggested that uncollectible accounts should be written off after a period of 2 years.

2. Receipt of money was not deposited intact within reasonable time (three business days). It was noted that money was held for a period of time extending up to 15 days before deposited.

Management's Response: Management does acknowledge extended time frames for a very limited number of deposits. During the time period of this audit, our deposits were made by Dr. Harris. Therefore, there were times when he was away from the college, which prevented him from doing so. When those times occurred, deposits were held in our locked (combination) safe until he was able to resume making the deposits.

As of July 1, 2010 we have hired a Business Office Assistant, who is now responsible for entering deposit and payment transactions into our QuickBooks System. To create our separation of duties, the weekly deposits will be taken to the bank by the CFO. Dr. Harris would only make a deposit in the absence of the CFO.

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

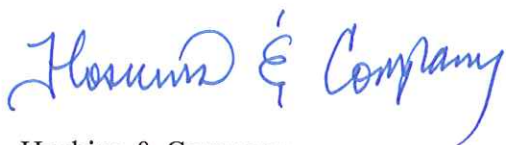
Our consideration of internal control over financial reporting was for the limited purpose described in the paragraph above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Baptist College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated September 28, 2010.

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



Hoskins & Company
September 28, 2010



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
American Baptist College

We have audited the accompanying statements of financial position of American Baptist College as of June 30, 2011 and June 30, 2010, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of American Baptist College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Baptist College as of June 30, 2011 and June 30, 2010, and changes in its net assets and cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011, on our consideration of American Baptist College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Hoskins & Company
November 9, 2011