

AMERICAN BAPTIST COLLEGE
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
JUNE 30, 2011 AND JUNE 30, 2010

AMERICAN BAPTIST COLLEGE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 AND JUNE 30, 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ 252,522	\$ 416,935
Certificate of deposit	8,822	8,726
Board designated investments (Note 3)	200,471	214,824
Other investments - unrestricted (Note 3)	5,260	6,092
Money markets - temporarily restricted (Note 3)	1,026,778	-
Certificate of deposit - temporarily restricted (Note 3)	347,018	1,150,017
Other investments - temporarily restricted (Note 3)	671,719	158,544
Student accounts receivable, net of allowance (Note 4)	97,889	66,654
Other current receivable (Note 5)	45,118	69,970
Prepaid asset (Note 6)	9,032	69,000
Inventory	5,715	7,169
Due to temporarily restricted funds	183,366	96,519
Total current assets	<u>\$ 2,853,710</u>	<u>\$ 2,264,450</u>
Endowment investments (Note 3)		
Cash	\$ 2,329	\$ 2,331
Investments	585,823	954,575
Total endowment investments	<u>\$ 588,152</u>	<u>\$ 956,906</u>
Property and equipment, net of accumulated Depreciation and amortization (Note 7)	<u>\$ 632,289</u>	<u>\$ 484,208</u>
Total assets	<u><u>\$ 4,074,151</u></u>	<u><u>\$ 3,705,564</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 51,483	\$ 51,541
Due to temporarily restricted funds (Note 9)	183,366	96,519
Student tuition overpayments	4,225	277
Notes payable (Note 10)	24,662	-
Security deposits	10,000	8,365
Total current liabilities	<u>\$ 273,736</u>	<u>\$ 156,702</u>
Long-term liabilities (Note 10)		
Line of credit	\$ 46,000	\$ 68,000
Notes payable	70,707	-
Total long-term liabilities:	<u>\$ 116,707</u>	<u>\$ 68,000</u>
Total liabilities:	<u>390,443</u>	<u>224,702</u>
Net assets:		
Unrestricted	\$ 866,676	\$ 1,215,394
Temporarily restricted	2,228,880	1,308,561
Permanently restricted	588,152	956,907
Total net assets	<u>\$ 3,683,708</u>	<u>\$ 3,480,862</u>
Total liabilities and net assets	<u><u>\$ 4,074,151</u></u>	<u><u>\$ 3,705,564</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, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Educational				
Tuition and fees	\$ 623,903	\$ -	\$ -	\$ 623,903
Housing	49,120	-	-	49,120
Bookstore	1,518	-	-	1,518
Extension centers	20,279	-	-	20,279
Less scholarships	(32,100)	-	-	(32,100)
Total educational	662,720	-	-	662,720
Private gifts and contributions	120,552	905,000	2,500	1,028,052
Church donations	141,708	-	-	141,708
Board of trustees	81,489	-	-	81,489
Investment income	17,944	3,797	9,665	31,406
Fundraising	37,922	-	-	37,922
Other income	36,787	-	-	36,787
Realized gain (loss) on sale of investments	(695)	496	4,193	3,994
Unrealized gain on investments	11,210	15,561	155,331	182,102
Net assets released from restriction	450,459	(445,459)	(5,000)	-
Other transfers and reclassifications	94,518	(94,518)	-	-
Net asset classification- FSP 117-1	-	535,443	(535,443)	-
Total revenues and support	1,654,614	920,320	(368,754)	2,206,180
Expenses				
Academic instruction and support	825,903	-	-	825,903
Student services	71,534	-	-	71,534
Institutional support	676,389	-	-	676,389
Operations and plant maintenance	398,143	-	-	398,143
Auxiliary services	31,365	-	-	31,365
Total expenses	2,003,334	-	-	2,003,334
Change in net assets	(348,720)	920,320	(368,754)	202,846
Net assets at beginning of year	1,215,396	1,308,560	956,906	3,480,862
Net assets at end of year	\$ 866,676	\$ 2,228,880	\$ 588,152	\$ 3,683,708

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
Extension centers	17,941	-	-	17,941
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 investment	(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	1,361,067	1,578,532	874,759	3,814,358
Net assets at end of year	\$ 1,215,396	\$ 1,308,560	\$ 956,906	\$ 3,480,862

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

AMERICAN BAPTIST COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

	2011	2010
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 202,846	\$ (333,496)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	111,751	79,408
Realized (gain) loss from investment	(3,994)	44,636
Unrealized gain from investment	(182,102)	(212,274)
(Increase) decrease in accounts receivable	(31,235)	45,980
Decrease (increase) in other current receivable	24,852	(69,970)
Decrease (increase) in prepaid asset	59,968	(69,000)
Decrease in inventory	1,451	3,816
(Decrease) increase in accounts payable	(58)	9,448
Increase (decrease) in student tuition overpayment	3,948	(515)
Increase in security deposits	1,635	225
Net cash provided (used) by operating activities	189,062	(501,742)
Cash flows from investing activities		
Purchase of fixed assets	(259,832)	(29,876)
Net sales (purchase) of investments	(167,016)	419,084
Net cash provided (used) in investing activities	(426,848)	389,208
Cash flows from financing activities		
(Decrease) increase in line of credit payable	(22,000)	68,000
Increase in notes payable	95,369	-
Net cash provided (used) in financing activities	73,369	68,000
Net change in cash and cash equivalents	(164,417)	(44,534)
Cash and cash equivalents, beginning of year	419,268	463,802
Cash and cash equivalents, end of year	<u>\$ 254,851</u>	<u>\$ 419,268</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, 2011 AND JUNE 30, 2010

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.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and accordingly revenue is recognized when earned, support and promises to give are recognized when received and expenses are recorded when incurred.

The financial statement presentation follows the recommendations of the Financial Accounting Standard Board's Accounting Standard Codification (FASB ASC 958), form, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958, the Organization 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.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

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.

Cash and Cash Equivalents

Cash and cash equivalents include checking and savings accounts, money market accounts, and certificate of deposits with maturities of three months or less. (See **Note 13** regarding the risk associated with cash and cash equivalents.) The College has classified as restricted, certain cash and cash equivalents that are not available for use in its operations. (See **Note 3**)

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. Depreciation, 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
Buildings	20—39

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

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.

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---INVESTMENTS

Board Designated Investments

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 195,443	\$ 184,904	\$ 201,567	\$ 201,567
<i>Interest on CD</i>	<u>5,028</u>	<u>5,028</u>	<u>13,257</u>	<u>13,257</u>
	<u>\$ 200,471</u>	<u>\$ 189,932</u>	<u>\$ 214,824</u>	<u>\$ 214,824</u>

	2011		2010	
	Fair Value	Cost	Fair Value	Cost

Unrestricted Investment

Mutual funds	\$ 5,260	\$ 4,588	\$ 6,092	\$ 5,791
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AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

Temporarily Restricted Investment

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
C Ds & Money Market	\$ 1,373,796	\$ 1,373,796	\$ 1,150,017	\$ 1,150,017
Mutual funds	<u>671,719</u>	<u>938,739</u>	<u>158,544</u>	<u>134,113</u>
	<u>\$ 2,045,515</u>	<u>\$ 2,312,535</u>	<u>\$ 1,308,561</u>	<u>\$ 1,284,130</u>

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.

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Cash	\$ 2,329	\$ 2,327	\$ 2,333	\$ 2,333
Mutual funds	<u>295,608</u>	<u>286,190</u>	<u>242,632</u>	<u>262,837</u>
	<u>\$ 297,937</u>	<u>\$ 288,517</u>	<u>\$ 244,965</u>	<u>\$ 265,170</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.

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 129,554	\$ 125,672	\$ 128,083	\$ 124,319

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

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.

	2011		2010	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<i>Mutual funds</i>	\$ 82,625	\$ 84,620	\$ 67,417	\$ 84,722

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.

	2011		2010	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<i>Mutual funds</i>	\$ 2,079	\$ 1,966	\$ 1,776	\$ 1,766

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.

	2011		2010	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<i>Mutual funds</i>	\$ 53,469	\$ 53,469	\$ 46,425	\$ 46,425

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

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. This amount was transferred to temporarily restricted asset above.

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ -	\$ -	\$ 124,271	\$ 219,123
<i>Annuity</i>	-	-	<u>324,422</u>	<u>278,487</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 448,693</u>	<u>\$ 497,610</u>

Tuition Endowment

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

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
<i>Mutual funds</i>	\$ 22,488	\$ 21,323	\$ 19,548	\$ 19,548

Total Endowment Funds

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
<i>Total Endowment Funds</i>	<u>\$ 588,152</u>	<u>\$ 575,567</u>	<u>\$ 956,907</u>	<u>\$ 1,039,560</u>

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

NOTE 4---ACCOUNTS RECEIVABLE

Student accounts receivable is recorded as follows:

	<u>2011</u>	<u>2010</u>
Student accounts receivable	\$ 116,937	\$ 76,767
Less: allowance for doubtful accounts	<u>19,048</u>	<u>10,113</u>
Total	<u>\$ 97,889</u>	<u>\$ 66,654</u>

NOTE 5---OTHER RECEIVABLE

Other receivable consists of the following:

	<u>2011</u>	<u>2010</u>
Receivable from Federal Gov't & Other	\$ 45,118	\$ 1,970
Receivable from Line of credit	<u>-</u>	<u>68,000</u>
Total	<u>\$ 45,118</u>	<u>\$ 69,970</u>

NOTE 6---PREPAID ASSETS

The College made an installment payment of \$9,032 on June 27, 2011 to Guide One Insurance Company for insurance coverage that pertains to fiscal year 2012. The College recorded this as a prepaid asset in its financial statements. In 2010, 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 student enrollment management system. The total cost for the software license is \$113,750 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. In 2011, the \$69,000 was transferred from prepaid asset to fixed asset.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

NOTE 7---PROPERTY, PLANT AND EQUIPMENT

Fixed assets consist of the following:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land	\$ 20,000	\$ 20,000
Building and grounds	1,709,604	1,590,472
Equipment and furniture	274,812	247,862
Library books	1,028,333	1,028,333
Enrollment management software	113,750	-
Less: accumulated depreciation and amortization	(2,514,210)	(2,402,459)
	<u>\$ 632,289</u>	<u>\$ 484,207</u>

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 was \$111,751 and \$79,408, respectively.

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 \$31,700 and \$20,436 for the years ended June 30, 2011 and 2010 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---DUE TO/FROM UNRESTRICTED FUNDS

As of June 30, 2011, the College had a balance of \$183,366 in the due to/from temporarily restricted account. The \$183,366 balance includes \$178,365 and this amount relates to unrestricted net assets general operating bank account funds due to the temporarily restricted investments of Lilly grants that were in excess of the funds needed to be released for the FY 2011 expenditures of the Lilly projects. In addition, \$2,000 of the \$183,366 is temporarily restricted funds received from donors during FY 2011 for awarding a Weems scholarship that has not been awarded.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

NOTE 10---LINE OF CREDIT AND NOTES PAYABLE

The College has a \$250,000 revolving line of credit with a financial institution with an interest rate of 4.50%. The balance on the line of credit was \$46,600 for the year ended June 30, 2011. In 2010, 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 at June 30, 2010.

The College has a mortgage with SunTrust Bank for the amount of \$51,000 in June, 2011. The College used the mortgage to finance the purchase of a property and the loan balance as June 30, 2011 was \$50,619.

In 2010, 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 student enrollment management system. The total cost for the software license is \$113,750 to be paid in three installments. The College paid \$69,000 in July, 2010 and the remaining balance of \$44,750 at June 30, 2011 was recorded as note payable since the software is installed and in service.

NOTE 11---NET ASSETS RELEASED FROM RESTRICTIONS

Donor-imposed restrictions on temporarily restricted net assets expired for awarding of scholarships and grant expenditures for Vibrant Ministries. This amount was \$398,355 and \$290,496 as of June 30, 2011 and June 30, 2010 respectively.

As of June 30, 2011, investment earnings of \$47,104 were released from permanently restricted net assets.

NOTE 12---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, 2011 and June 30, 2010 was \$787,686 and \$691,326, respectively.

NOTE 13---CONCENTRATION OF CREDIT RISK

At June 30, 2011, the College had cash deposit in financial institutions (money markets) that exceeded the federally insured coverage limitation (FDIC) of \$250,000. Total excess cash equivalent in this institution was \$526,778 and \$257,978 at June 30, 2011 and June 30, 2010 respectively. Additionally, in 2010, the college had investment securities on CDs that exceeded Securities Investor Protection Corporation (SIPC) coverage limitation of \$500,000. Total excess value of securities was \$512,908.

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

NOTE 14---ENDOWMENT FUNDS

The adoption of FSP117-1 resulted in a reclassification of \$535,443 from permanently unrestricted net assets to temporarily restricted net assets on July 1, 2010, as presented in the statement of activities and the changes in endowment and other net assets for the year ended June 30, 2011 presented below:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -		\$ 588,152	\$ 588,152
Board designated funds	-	535,443	-	535,443
Total funds	\$ -	\$ 535,443	\$ 588,152	\$ 1,123,595

Changes in endowment and other net assets for the fiscal year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 956,906	\$ 956,906
Net asset classification based on adoption of FSP 117-1	-	535,443	(535,443)	-
Endowment net assets after reclassification	-	535,443	421,463	956,906
Investment return:				
Investment income	-	-	9,665	9,665
Net appreciation	-	-	159,524	159,524
Total investment return	-	-	169,189	169,189
Contributions	-	-	2,500	2,500
Less: Investment return used for operation	-	-	-	-
Other transfers and reclassifications	-	-	(5,000)	(5,000)
Endowment net assets, end of year	\$ -	\$ 535,443	\$ 588,152	\$ 1,123,595

AMERICAN BAPTIST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

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. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in the unrestricted net asset were \$0 as of June 30, 2011 and June 30, 2010.

NOTE 15---SUBSEQUENT EVENTS

As of November 9, the date management evaluated such events, there were no subsequent events requiring disclosures. November 9, 2011 is the date the financial statements were available to be issued.



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**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, 2011 and June 30, 2010 have issued our report thereon dated November 9, 2011. 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 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.

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 separate letter dated November 9, 2011

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

November 9, 2011

November 9, 2011

To the Management and
Board of Trustees
American Baptist College

In planning and performing our audit of the financial statements of American Baptist College (the "College") as of and for the year ended June 30, 2011 in accordance with auditing standards generally accepted in the United States of America, we considered the organization's 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. Accordingly, we do not express an opinion on the effectiveness of the 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be 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 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in College's internal control to be significant deficiencies:

1. Supporting documentation such as invoice/receipt to support disbursements for 2 disbursements (checks) out of 25 checks (8%) selected for testing was not available.

All support documentations regarding payments should be submitted and should be available for audits to substantiate disbursements.

Management's Response:

After identifying the two checks in question, I wish to make the following comments:

Check #20864 payable to Dr. Forrest Harris represents a reimbursement for out of pocket funds used to cover lunches for Sheriff's Dept. labor at the college. This payment had been initially made to Ms. Acklen (Check #20855), but she indicated it was inconvenient for her to cash it. Paperwork for the transaction remained with this transaction and was not duplicated when I reimbursed Dr. Harris. I have since prepared a reimbursement form and attached it to the copy of the check.

Check, #21276, payable to Pauletta Burns was issued for travel expenses to a CAMS seminar in St. Louis, MO. Ms. Burns returned 295.41 of those funds on 6/23/2011 and the paperwork for the entire transaction was attached to that receipt.

2. Receipt of money was not deposited intact within reasonable time (three business days) for 2 out of the 26 receipts (7.7%) tested. It was noted these 2 receipts were held for a period of time extending up to 10 days before deposited.

Deposits should be deposited in a timely manner to reduce the risk that receipt may be lost or misappropriated

Management's Response:

It has never been our policy to make deposits within three (3) days. We operate with a staff of one (1) which does not allow for multiple trips to the bank each week. We must also take into consideration vacation or holiday times when calculating the time span of deposits.

Checks and cash are kept in a locked steel cash box at all times prior to being deposited in the bank.

3. It was noted that there exists lack of proper segregation of duties between the personnel with approval authority (CFO) and the personnel that records the transaction in the accounting system (Business Office Assistant- Accounting Clerk).

There should be proper segregation of duties in and between all areas and functions of the business office (Finance department) to enforce proper accounting controls so one or a few employees do not have wide-ranging access within one area or in too many areas. This will ensure that the College's accounting policies and procedures are followed and even distribution of work among accounting personnel to properly safeguard against the misuse of assets and deter unauthorized activities.

Management's Response:

The business office is currently staffed by only one (1) person. Therefore, all duties are performed by the same person. It is important to note that we do have an internal Accountant who reconciles our bank statements, monitors our investments and prepared weekly and or monthly reports to validate financial transactions.

As we go forth into the New Year, please note that the Executive Assistant to the President will be offering assistance with accounts receivable and accounts payable transactions. The CFO will continue to make the actual banking transactions.

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*.

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.

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

A handwritten signature in blue ink that reads "Hoskins & Company". The signature is stylized and fluid.

Hoskins & Company

November 9, 2011