

**JONATHAN B TUCKER CPA**

THE BIBLE SEMINARY

FINANCIAL STATEMENTS

Year Ended May 31, 2015

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# JONATHAN B TUCKER CPA

## INDEPENDENT AUDITOR'S REPORT

To the BOARD OF DIRECTORS of THE BIBLE SEMINARY

I have audited the accompanying financial statements of THE BIBLE SEMINARY (a nonprofit organization), which comprise the statement of financial position as of MAY 31, 2015, and the related statements of activities and cash flows for the year 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**

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of THE BIBLE SEMINARY as of MAY 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Jonathan B Tucker CPA*

July 30, 2015

	MAY 31, 2015
ASSETS	
CASH AND CASH EQUIVALENTS	\$ 277,416
TUITION AND FEES RECEIVABLE	5,514
PROPERTY AND EQUIPMENT, NET	32,705
OTHER ASSETS	4,602
TOTAL ASSETS	<u>320,237</u>
LIABILITIES	
ACCOUNTS PAYABLE	109
DEFERRED REVENUE	<u>2,035</u>
TOTAL LIABILITIES	2,144
NET ASSETS	
UNRESTRICTED	299,070
TEMPORARILY RESTRICTED	<u>19,023</u>
TOTAL NET ASSETS	<u>318,093</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 320,237</u>

YEAR ENDED MAY 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES			
CONTRIBUTIONS AND SUPPORT	\$ 363,196	\$ 92,640	\$ 455,836
TUITION AND FEES	298,647		298,647
OTHER	<u>7,167</u>		<u>7,167</u>
	669,010	92,640	761,650
NET ASSETS RELEASED FROM RESTRICTION PROGRAM EXPENDITURES	<u>74,617</u>	<u>(74,617)</u>	<u>-</u>
TOTAL REVENUES	743,627	18,023	761,650
EXPENSES			
PROGRAM EXPENSES			
EDUCATION	<u>703,450</u>		<u>703,450</u>
TOTAL PROGRAM EXPENSES	703,450		703,450
MANAGEMENT AND GENERAL FUNDRAISING	<u>167,287</u> <u>101,738</u>		<u>167,287</u> <u>101,738</u>
TOTAL EXPENSES	<u>972,475</u>		<u>972,475</u>
EXCESS OF REVENUES OVER EXPENSES	<u>(228,848)</u>	<u>18,023</u>	<u>(210,825)</u>
BEGINNING NET ASSETS	<u>527,918</u>	<u>1,000</u>	<u>528,918</u>
ENDING NET ASSETS	<u>\$ 299,070</u>	<u>\$ 19,023</u>	<u>\$ 318,093</u>

YEAR ENDED MAY 31, 2015

## CASH FLOWS FROM OPERATING ACTIVITIES

EXCESS OF REVENUES OVER EXPENSES	\$	(210,825)
ADJUSTMENTS TO RECONCILE EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
DEPRECIATION EXPENSE		11,814
TUITION AND FEES RECEIVABLE		29,985
ACCOUNTS PAYABLE		109
DEFERRED REVENUE		<u>(3,652)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(172,569)
CASH FLOWS FROM INVESTING ACTIVITIES		
PROPERTY AND EQUIPMENT, NET		<u>(2,407)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		<u>(2,407)</u>
NET INCREASE (DECREASE) IN CASH		(174,976)
CASH, BEGINNING OF YEAR		<u>452,392</u>
CASH, END OF YEAR	\$	<u><u>277,416</u></u>
SUPPLEMENTAL DISCLOSURES		
INCOME TAXES PAID	\$	-
INTEREST PAID	\$	-

**NOTE 1 – NATURE OF ORGANIZATION**

THE BIBLE SEMINARY (the Seminary) was founded in 2010 in Katy, Texas as an independent religious educational institution with a foundational commitment to distinctively clear doctrinal and ethos statements, and seven core values – the Lordship of Christ, the Bible as the fully true Word of God, Prayer, Unreached Peoples, the Local Church, Community, and Compassion. The Seminary exists to glorify God by training Christian believers in a context of biblical community in all 66 books of the Bible so that they can serve the local church and fulfill the Great Commission by the power of God's Spirit.

The Seminary is a 501(c)(3) non-denominational institution offering an eight course Bible Certificate program for laity, a twenty course, sixty hour Master of Arts, and a thirty two course, ninety six hour Master of Divinity program for professional, vocational ministry training.

The Seminary is an Affiliate institution of the Association for Biblical Higher Education (ABHE). As such, it participates in and contributes to collegial and professional development activities of the Association. Affiliate status does not, however, constitute, imply, or presume ABHE accredited status at present or in the future.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Seminary is presented to assist in understanding the Seminary's financial statements. The financial statements and notes are the representation of the Seminary's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

Basis of accounting

The financial statements have been prepared using the accrual basis of accounting. Consequently, support and revenues and the related assets are recognized when earned and expenses are recognized when a liability is incurred. Accordingly, the financial statements are intended to present assets, liabilities, revenues, expenses and changes in net assets in conformity with accounting principles generally accepted in the United States of America.

Presentation of financial statements

The classification of the Seminary's net assets and its support, revenue and expenses is based on the existence or absence of donor imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses

include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Seminary.

#### Cash and cash equivalents

For purposes of the statements of cash flows, the Seminary considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of fiscal year end, cash and cash equivalents included only deposits at commercial banks and other financial institutions.

#### Tuition and fees receivable

Students are billed for tuition and fees by semester. The Seminary considers an account to be past due when tuition and fees have not been paid by the due date. Past due accounts are subject to internal collection efforts but remain classified as active student accounts until graduation.

#### Property, equipment, and depreciation

Property and equipment are recorded at cost of \$1,000 or greater, or, if donated, at fair market value on the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Useful lives range from 2 to 7 years. Depreciation expense is allocated among program and management and general expenses.

#### Net asset classification

Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- Temporarily restricted net assets include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

#### Contributions

The Seminary 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. As donor stipulated time restrictions end or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions are recognized as revenues in the period received.

#### Tuition and fees

Tuition and fees are recognized in the period in which the services are provided. Amounts received for future periods are recognized as deferred revenue.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Seminary is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a School described in section 170(b)(1)(A)(ii).

The Seminary's IRS Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after filing.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At May 31, 2015, cash and cash equivalents consists of the following:

Seminary operating accounts	\$	253,653
Cash held in a brokerage account		<u>23,763</u>
Total cash and cash equivalents	\$	<u>277,416</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

At May 31, 2015, property and equipment consists of the following:

Equipment	\$	34,265
Furniture and fixtures		18,783
Leasehold improvements		<u>9,440</u>
Total property and equipment		62,488
Accumulated depreciation		<u>(29,783)</u>
Total property and equipment, net	\$	<u>32,705</u>
Total depreciation expense at May 31, 2015	\$	11,814

**NOTE 5 – NET ASSETS**

At May 31, 2015, net assets consist of the following:

Unrestricted		
Board designated, missions	\$	17,580
Unrestricted		<u>281,490</u>
Total unrestricted		299,070
Temporarily restricted, scholarships		<u>19,023</u>
Total net assets	\$	<u><u>318,093</u></u>

**NOTE 6 – OPERATING LEASES**

The Seminary rents office and classroom space under separate leases. Total rent expense from the leases for the year ended May 31, 2015 is \$56,047.

At May 31, 2015, future minimum operating lease payments are as follows:

Year ending May 31,		
2016	\$	59,024
2017		59,227
2018		7,165
2019		-
Thereafter		<u>-</u>
Total future minimum operating lease payments	\$	<u><u>125,416</u></u>

**NOTE 7 – RETIREMENT PLAN**

The Seminary established a 401(k) retirement savings plan for the benefit of all employees through a voluntary salary contribution. The Seminary matches 100% of employee contributions up to a limit of 4% of annual compensation and 50% of employee contributions above 4% up to a limit of 5% of annual compensation. Employer contributions for the year ended May 31, 2015 are \$8,765.

**NOTE 8 – CONCENTRATIONS OF CREDIT RISK**

The financial instruments that potentially subject the Seminary to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions, which from time to time could exceed the Federal Depository Insurance Coverage ("FDIC") limit.

**NOTE 9 – DATE OF MANAGEMENT’S REVIEW**

The Seminary has evaluated subsequent events through the date of the Independent Auditor’s Report, the date which the financial statements were available to be issued. As a result of this evaluation, no events were identified that need to be disclosed or would have an impact on reported net assets or change in net assets.