

**The Bible Seminary**  
Katy, Texas

Financial Statements Together With  
Independent Auditor's Report

May 31, 2021 and 2020



RATLIFF + ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**The Bible Seminary**  
Financial Statements  
May 31, 2021 and 2020

**Table of Contents**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Note Disclosures to the Financial Statements	7 - 13



## **Independent Auditor's Report**

To the Board of Directors,  
The Bible Seminary

### **Opinion**

We have audited the accompanying financial statements of The Bible Seminary (“the Organization”), a Texas nonprofit organization, which comprise the statements of financial position as of May 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## Independent Auditor's Report (continued)

Page 2

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Razliff & Associates, P.C.*

September 16, 2021

**The Bible Seminary**  
 Statements of Financial Position  
 May 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 446,008	\$ 502,158
Tuition and fees receivable	33,215	15,315
Prepaid expenses	28,490	13,585
Total current assets	507,713	531,058
Noncurrent assets		
Net property and equipment	12,065	14,542
Lease security deposit	4,602	4,602
Cash held for endowment	50,605	-
Total noncurrent assets	67,272	19,144
 Total Assets	 \$ 574,985	 \$ 550,202
 <b>Liabilities &amp; net assets</b>		
Liabilities		
Current liabilities		
Accounts payable	\$ -	\$ 623
PPP loan	-	68,196
Deferred revenue	27,025	-
Total current liabilities	27,025	68,819
Net assets		
Without donor restrictions	492,105	481,383
With donor restrictions	55,855	-
Total net assets	547,960	481,383
 Total Liabilities & Net Assets	 \$ 574,985	 \$ 550,202

*The accompanying note disclosures are an integral part of these financial statements.*

**The Bible Seminary**  
**Statements of Activities**  
For the Years Ended May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Changes in net assets without donor restrictions</b>		
Revenues		
Revenues without donor restrictions		
Contributions	\$ 618,004	\$ 668,464
Tuition and fees	118,830	155,293
PPP Grant revenue	113,994	51,904
Investment income (loss), net	<u>(1,017)</u>	<u>369</u>
Total revenues without donor restrictions	849,811	876,030
Net assets released from restrictions		
Satisfaction of program restrictions	<u>1,150</u>	<u>-</u>
Total revenues	<u>850,961</u>	<u>876,030</u>
Expenses		
Programs		
Education	<u>572,608</u>	<u>594,833</u>
Support services		
Management and general	232,352	239,480
Fundraising	<u>35,279</u>	<u>38,020</u>
Total support services expenses	<u>267,631</u>	<u>277,500</u>
Total expenses	<u>840,239</u>	<u>872,333</u>
Change in net assets without donor restrictions	<u>10,722</u>	<u>3,697</u>
<b>Changes in net assets with donor restrictions</b>		
Contributions for scholarships and endowment	57,005	-
Net assets released from restriction	<u>(1,150)</u>	<u>-</u>
Change in net assets with donor restrictions	<u>55,855</u>	<u>-</u>
<b>Change in total net assets</b>	66,577	3,697
<b>Net assets at beginning of year</b>	<u>481,383</u>	<u>477,686</u>
<b>Net assets at end of year</b>	<u>\$ 547,960</u>	<u>\$ 481,383</u>

*The accompanying note disclosures are an integral part of these financial statements.*

**The Bible Seminary**  
**Statements of Cash Flows**  
For the Years Ended May 31, 2021 and 2020

	2021	2020
<b>Cash flows from operating activities</b>		
Cash received from contributions and other income	\$ 757,359	\$ 720,368
Cash received from tuition and fees	127,955	140,783
Interest received	-	369
Cash paid for programs and support services	(851,813)	(859,673)
Net cash provided (used) by operating activities	33,501	1,847
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(1,477)	(5,245)
Net cash provided (used) by investing activities	(1,477)	(5,245)
<b>Cash flows from financing activities</b>		
PPP loan received	-	68,196
PPP loan repayment	(37,569)	
Net cash provided (used) by financing activities	(37,569)	68,196
<b>Net increase (decrease) in cash and cash equivalents</b>	(5,545)	64,798
<b>Cash and cash equivalents at beginning of year</b>	502,158	437,360
<b>Cash and cash equivalents at end of year</b>	\$ 496,613	\$ 502,158
 <b>Reconciliation of change in total net assets to net cash provided (used) by operating activities</b>		
Change in total net assets	\$ 66,577	\$ 3,697
Adjustments		
Depreciation	3,954	4,529
PPP loan forgiven	(30,627)	-
Change in receivables	(17,900)	(14,510)
Change in prepaid expenses	(14,905)	9,086
Change in accounts payable	(623)	(955)
Change in deferred revenue	27,025	-
Total adjustments	(33,076)	(1,850)
Net cash provided (used) by operating activities	\$ 33,501	\$ 1,847
 <b>Reconciliation to Statement of Financial Position</b>		
Cash and cash equivalents	\$ 446,008	\$ 502,158
Cash held for endowment	50,605	-
Total cash and cash equivalents at end of year for cash flows	\$ 496,613	\$ 502,158

*The accompanying note disclosures are an integral part of these financial statements.*

**The Bible Seminary**  
Statement of Functional Expenses  
For the Year Ended May 31, 2021

	<u>Programs</u>	<u>Support services</u>		<u>Total expenses</u>
	<u>Education</u>	<u>Management and general</u>	<u>Fundraising</u>	
Awards and grants	\$ 14,600	\$ -	\$ -	\$ 14,600
Marketing	10	20,437	4,537	24,984
Facilities and equipment	43,352	34,697	1,072	79,121
Administrative costs	11,700	17,222	3,000	31,922
Accreditation	10,001	-	-	10,001
Salaries and wages	453,154	132,765	26,670	612,589
Contract faculty and other services	34,990	17,060	-	52,050
Travel and meetings	1,940	3,541	-	5,481
Special events	-	-	-	-
Other	2,861	6,630	-	9,491
<b>Total expenses</b>	<b>\$ 572,608</b>	<b>\$ 232,352</b>	<b>\$ 35,279</b>	<b>\$ 840,239</b>

Statement of Functional Expenses  
For the Year Ended May 31, 2020

	<u>Programs</u>	<u>Support services</u>		<u>Total expenses</u>
	<u>Education</u>	<u>Management and general</u>	<u>Fundraising</u>	
Awards and grants	\$ 16,223	\$ -	\$ -	\$ 16,223
Marketing	-	13,983	4,442	18,425
Facilities and equipment	40,598	32,394	1,228	74,220
Administrative costs	15,193	18,297	4,496	37,986
Accreditation	24,391	-	-	24,391
Salaries and wages	477,152	136,657	27,854	641,663
Contract faculty and other services	13,100	30,290	-	43,390
Travel and meetings	5,294	1,936	-	7,230
Special events	-	-	-	-
Other	2,882	5,923	-	8,805
<b>Total expenses</b>	<b>\$ 594,833</b>	<b>\$ 239,480</b>	<b>\$ 38,020</b>	<b>\$ 872,333</b>

*The accompanying note disclosures are an integral part of these financial statements.*



**The Bible Seminary**  
Note Disclosures to the Financial Statements  
May 31, 2021 and 2020

**Note 1, Nature of the 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) nondenominational education institution offering a nine course Bible Certificate for laity, a nine course, twenty-seven hour Vocational Ministry Certificate, Dual Degree program, four Master of Arts programs, and an eighty-four hour Master of Divinity 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.

The Bible Seminary is a member of the Transnational Association of Christian Colleges and Schools (TRACS) having been awarded Accredited Status as a Category III institution by the TRACS Accreditation Commission on April 16, 2019. This status is effective for a period of up to five years. TRACS is recognized by the United States Department of Education (USDOE), the Council for Higher Education Accreditation (CHEA), and the International Network for Quality Assurance Agencies in Higher Education (INQAAHE).

**Note 2, Summary of Significant Accounting Policies**

The following is a summary of the Seminary’s significant accounting policies consistently applied in the preparation of the accompanying financial statements:

Basis of accounting: The financial statements of the Seminary have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) of the United States of America. Revenues are recognized when earned, and expenses are recorded when incurred.

Revenue recognition: Revenues of the Seminary are primarily derived from contributions from the Seminary’s supporters. Tuition and fees revenues are recognized in the period in which the services are provided. Amounts received for future periods are recognized as deferred revenue.

A portion of the Seminary’s revenues is tied to the local economy. All contributions are considered available for the Seminary’s general programs unless specifically restricted by the donor.

**The Bible Seminary**  
Note Disclosures to the Financial Statements  
May 31, 2021 and 2020

**Note 2, Summary of Significant Accounting Policies (continued)**

Revenue recognition (continued): Amounts received that are donor restricted by time or purpose are reported as increases in net asset with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. However, contributions received with restrictions that are met in the same reporting period are reported as increases in net assets without restrictions.

Net assets without donor restrictions: The Seminary further disaggregates net assets without donor restriction into two subcategories:

- General unrestricted: Net assets that are neither subject to donor-imposed restrictions or self-imposed limits are general unrestricted.
- Internally designated: Net assets that are subject to the Seminary's self-imposed limits by action of the governing board or its delegates are internally designated. These voluntary limitations allow the Seminary to earmark net assets for a variety of needs that may arise. Such limits may also be lifted at any time in the future by resolution of the board or its delegates.

Net assets with donor restriction: The Seminary further disaggregates net assets with donor restriction into two subcategories:

- Temporarily restricted: The Seminary reports gifts of cash and other assets as with temporary donor restriction if they are received with donor stipulations temporarily limiting the use of the contributions and if the restrictions are not met in the period of receipt.
- Permanently restricted: The Seminary reports gifts of cash and other assets as with permanent donor restriction if they are received with donor stipulations permanently restricting the contribution to investment but permitting the Seminary to use part or all of the income derived from the investment for general or restricted purposes.

Programs: The Seminary pursues its mission through the execution of the following major programs that are also the reported functional expenses of the Seminary:

- Education activities: providing programs that include Bible Certificate, Licensed Professional, Dual Degree Completion, Master of Arts, and Master of Divinity.
- Fundraising: encouraging additional contributions for educational programs.
- General and administrative: providing administrative support to the above functional areas.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements are depreciation and the estimated allocation of certain payroll and facility expenses to the functional areas. Depreciation is computed using management's estimate of the useful lives of the asset. The allocation of payroll and facility expenses is, respectively, based on management's estimate of staff time and roles and facility space and usage.

**The Bible Seminary**  
Note Disclosures to the Financial Statements  
May 31, 2021 and 2020

**Note 2, Summary of Significant Accounting Policies (continued)**

Cash and cash equivalents: For purposes of the statement of cash flows, the Seminary considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. Financial instruments that potentially subject the Seminary to credit risk include cash on deposit with a financial institution exceeding \$250,000 at various times during the year. The U.S. Federal Deposit Insurance Corporation insures amounts for up to \$250,000.

Liquidity: The statement of financial position is classified to show subtotals for current assets and current liabilities as part of the Seminary's enhanced disclosure of liquidity. The Seminary anticipates using current assets and satisfying current liabilities within one year of the statement date. Current assets, excluding prepaids (as applicable), represent financial assets available for general expenditure within one year of the statement date. Disclosures are presented for both the quantitative and qualitative aspects of liquidity and the availability of financial assets.

Allocation of expenses by function and nature: The costs of providing the various programs and other activities have been allocated and summarized on a functional basis in the statement of activities and on both a functional and a natural bases in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services, as well as the natural categories, benefited.

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 student accounts are subject to internal collection efforts. Unpaid student accounts are written off as an expense in the period that collection efforts are exhausted and no future payments are expected.

For the year ended May 31, 2021 and 2020, write-offs were not material to these financial statements.

Property and equipment: 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.

Impairment of long-lived assets: Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management believes that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

Income tax status: The Seminary is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a public charity, except for net income derived from unrelated business activities. The Seminary has not conducted unrelated business activities that are material to the financial statements taken as a whole. Accordingly, no provision for income taxes is included in the financial statements. The Seminary believes that it has appropriate support for any tax positions taken. Tax returns of the Seminary are open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

**The Bible Seminary**  
 Note Disclosures to the Financial Statements  
 May 31, 2021 and 2020

**Note 2, Summary of Significant Accounting Policies (continued)**

Going concern considerations: The Seminary analyzes the effect that current and future events, both internal and external, may have on operations so that the Seminary may continue as a going concern (i.e., a viable organization). As of the date of this report, management has not identified a significant matter that, in its judgement, could materially threaten the ongoing operations of the Seminary for at least one year from the date of the report on page two. However, if conditions change during the following year, the Seminary may reschedule or reformat certain events and activities or adjust the general operational budget, as needed. See also the Liquidity disclosure for additional cash management strategies.

**Note 3, Retirement Plan**

The Seminary established a 401(k) retirement savings plan for the benefit of all participating employees through a voluntary salary contribution. The Seminary matches 100% of employee contributions up to a limit of 3% of annual compensation and 50% of employee contributions above 4% up to a limit of 5% of annual compensation. Employer contributions for the years ended May 31, 2021 and 2020 are \$11,655 and \$12,992, respectively.

**Note 4, Operating Lease**

The Seminary rents office and classroom space under separate leases that expire in 2023. Approximate lease expense for the years ended May 31, 2021 and 2020 are \$65,800 and \$63,600, respectively. Approximate future minimum lease payments are as follows:

2022	\$ 65,800
2023	<u>67,800</u>
	<u>\$ 133,600</u>

**Note 5, Concentration of Contributions**

The Seminary received contributions from four sources that amounted to approximately 34% and 22%, respectively, of total revenues for the years ended May 31, 2021 and 2020.

**Note 6, Line of Credit**

As of May 31, 2020, the Seminary had an unsecured line credit of \$100,000 with Grace Fellowship Church. The outstanding balances is zero, and no draws have been made. No interest is charged, and the line of credit as the option to renew through June 2023.

**The Bible Seminary**  
 Note Disclosures to the Financial Statements  
 May 31, 2021 and 2020

**Note 7, Property and Equipment**

At May 31, property and equipment consist of the following:

	2021	2020
Technology and other equipment	\$ 50,190	\$ 48,713
Furniture and fixtures	18,783	18,783
Leasehold improvements	6,309	6,309
	75,282	73,805
Accumulated depreciation	(63,217)	(59,263)
Total property and equipment	\$ 12,065	\$ 14,542

**Note 8, PPP Loan**

In May 2020, the Seminary received the first round Paycheck Protection Program loan for \$120,100. This two-year term loan with an interest rate of 1% is administered by the U.S. Small Business Administration (“SBA”). Amounts used for payroll, rent, or other qualifying expenditure were forgiven. For the years ending May 31, 2021 and 2020, as conditions for expenditure were substantially met, funds were recognized as grant revenue totaling \$30,627 and \$51,904, respectively. In 2021, the remaining balance of funds totaling \$37,569 was refunded to the SBA.

In March 2021, the Seminary received the second round Paycheck Protection Program loan for \$83,367. 100% of these funds were forgiven and recognized as grant revenue in 2021.

**Note 9, Net Assets**

Net assets that are without donor restriction but internally designated by the board consist of reserve funds totaling \$129,747 and \$92,650 at May 31, 2021 and 2020, respectively. See the Liquidity disclosure.

Net assets with donor restrictions at May 31, 2021 consist of funds totaling \$50,605 to establish an endowment in the near future and funds totaling \$5,250 for scholarship.

**The Bible Seminary**  
 Note Disclosures to the Financial Statements  
 May 31, 2021 and 2020

**Note 10, Liquidity and Availability of Financial Assets**

The Seminary's financial assets are current assets available for general expenditure within one year of the statement date. Financial assets are calculated as follows: current assets less donor-restricted, board-designated and/or contractually obligated cash and investments, prepaid expenses, and other similar current assets, as applicable.

As part of the Seminary's liquidity management, it has a strategy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The significant qualities of this strategy are as follows:

- The Seminary maintains a bank balance providing a designated reserve as required by TRACS, which totaled \$129,747 and \$92,650 at May 31, 2021 and 2020, respectively. The CFO shall designate balances in one or more bank or investment accounts in order to maintain a minimum cash reserve. This reserve shall be in the amount of 10% of the currently approved budget. In the event that the reserve should be expended for continuing operations, the President and CFO would immediately implement a plan of curtailment of discretionary expenses, protecting available cash for use in satisfying requirements for salary and benefits, rent, utilities, and basic educational operations. When fundraising contributions and other income become adequate for resumption of normal expenditures, the President and CFO would implement a plan to restore the minimum financial reserve to the specified minimum balance, while protecting ongoing operations.
- The Seminary maintains other general reserves in its unrestricted general net assets which consists of prior years' net excess revenues (net operating surplus).
- The Seminary maintains a \$100,000 line of credit with Grace Fellowship Church.
- The Seminary is dependent on recurring contributions from donors which have remained relatively consistent year-to-year. The Seminary's supporters have historically been responsive to appeals for contributions for special needs or projects. Occasionally, Seminary leadership may request a special offering from its supports to meet short-term needs.

At May 31, the Seminary's financial assets are quantified as follows:

	2020	2019
Current assets	\$ 507,713	\$ 531,058
Less: non-liquid assets: prepaid expenses	(28,490)	(13,585)
Less: those unavailable for general expenditures within one year		
Internally designated:		
Board-designated reserve	(129,747)	(92,650)
Donor-imposed restrictions		
Donor restrictions	(55,855)	-
Available financial assets	\$ 293,621	\$ 424,823

**The Bible Seminary**  
Note Disclosures to the Financial Statements  
May 31, 2021 and 2020

**Note 11, Subsequent Events**

The Seminary has evaluated subsequent events through the date of the Independent Auditor's Report on page two, which is the date the financial statements were available to be issued.

In 2020 and 2021, the coronavirus pandemic significantly impacted the global economy. The Seminary continues to analyze the effect that the pandemic may have on operations and upcoming Seminary activities. As of the date of this report, the financial impact is unknown. However, if conditions remain unchanged, the Seminary may reschedule or reformat certain activities and adjust the operational budget. See also the Liquidity disclosure.