

The Bible Seminary
Katy, Texas

Financial Statements Together With
Independent Auditor's Report

May 31, 2022 and 2021



RATLIFF + ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

The Bible Seminary
Financial Statements
May 31, 2022 and 2021

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RATLIFF + ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2022 and 2021, 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, 2022 and 2021, 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

Independent Auditor's Report (continued)

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likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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.

Ratzliff & Associates, P.C.

August 25, 2022

The Bible Seminary
 Statements of Financial Position
 May 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 116,527	\$ 446,008
Tuition and fees receivable	36,669	33,215
Prepaid expenses	25,273	28,490
Total current assets	178,469	507,713
Noncurrent assets		
Net property and equipment	26,484	12,065
Lease security deposit	4,602	4,602
Cash held for endowment	57,000	50,605
Total noncurrent assets	88,086	67,272
 Total Assets	 \$ 266,555	 \$ 574,985
 Liabilities & net assets		
Liabilities		
Current liabilities		
Deferred revenue	13,350	27,025
Net assets		
Without donor restrictions	194,555	492,105
With donor restrictions	58,650	55,855
Total net assets	253,205	547,960
 Total Liabilities & Net Assets	 \$ 266,555	 \$ 574,985

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

The Bible Seminary
 Statements of Activities
 For the Years Ended May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions		
Revenues		
Revenues without donor restrictions		
Contributions	\$ 480,780	\$ 618,004
Tuition and fees	166,177	118,830
PPP Grant revenue	-	113,994
Investment income (loss), net	<u>2,729</u>	<u>(1,017)</u>
Total revenues without donor restrictions	649,686	849,811
Net assets released from restrictions		
Satisfaction of program restrictions	<u>8,500</u>	<u>1,150</u>
Total revenues	<u>658,186</u>	<u>850,961</u>
Expenses		
Programs		
Education	<u>648,045</u>	<u>572,608</u>
Support services		
Management and general	266,191	232,352
Fundraising	<u>41,500</u>	<u>35,279</u>
Total support services expenses	<u>307,691</u>	<u>267,631</u>
Total expenses	<u>955,736</u>	<u>840,239</u>
Change in net assets without donor restrictions	<u>(297,550)</u>	<u>10,722</u>
Changes in net assets with donor restrictions		
Contributions for scholarships and endowment	11,295	57,005
Net assets released from restriction	<u>(8,500)</u>	<u>(1,150)</u>
Change in net assets with donor restrictions	<u>2,795</u>	<u>55,855</u>
Change in total net assets	(294,755)	66,577
Net assets at beginning of year	<u>547,960</u>	<u>481,383</u>
Net assets at end of year	<u>\$ 253,205</u>	<u>\$ 547,960</u>

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

The Bible Seminary
Statements of Functional Expenses

For the Year Ended May 31, 2022

	<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	\$ 13,773	\$ -	\$ -	\$ 13,773
Marketing	108	23,296	8,293	31,697
Facilities and equipment	45,641	38,153	2,360	86,154
Administrative costs	18,117	21,913	1,696	41,726
Accreditation	9,237	-	-	9,237
Salaries and wages	495,584	146,322	29,151	671,057
Contract faculty and other services	50,266	21,378	-	71,644
Travel and meetings	10,667	5,373	-	16,040
Other	4,652	9,756	-	14,408
Total expenses	<u>\$ 648,045</u>	<u>\$ 266,191</u>	<u>\$ 41,500</u>	<u>\$ 955,736</u>

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
Other	2,861	6,630	-	9,491
Total expenses	<u>\$ 572,608</u>	<u>\$ 232,352</u>	<u>\$ 35,279</u>	<u>\$ 840,239</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from contributions and other income	\$ 494,804	\$ 784,384
Cash received from tuition and fees	149,048	100,930
Interest received	-	-
Cash paid for programs and support services	(943,817)	(851,813)
Net cash provided (used) by operating activities	<u>(299,965)</u>	<u>33,501</u>
Cash flows from investing activities		
Purchases of property and equipment	(23,121)	(1,477)
Net cash provided (used) by investing activities	<u>(23,121)</u>	<u>(1,477)</u>
Cash flows from financing activities		
PPP loan repayment	-	(37,569)
Net cash provided (used) by financing activities	<u>-</u>	<u>(37,569)</u>
Net increase (decrease) in cash and cash equivalents	(323,086)	(5,545)
Cash and cash equivalents at beginning of year	<u>496,613</u>	<u>502,158</u>
Cash and cash equivalents at end of year	<u>\$ 173,527</u>	<u>\$ 496,613</u>

Reconciliation of change in total net assets to net cash provided (used) by operating activities

Change in total net assets	<u>\$ (294,755)</u>	<u>\$ 66,577</u>
Adjustments		
Depreciation	8,702	3,954
PPP loan forgiven	-	(30,627)
Change in receivables	(3,454)	(17,900)
Change in prepaid expenses	3,217	(14,905)
Change in accounts payable	-	(623)
Change in deferred revenue	(13,675)	27,025
Total adjustments	<u>(5,210)</u>	<u>(33,076)</u>
Net cash provided (used) by operating activities	<u>\$ (299,965)</u>	<u>\$ 33,501</u>

Reconciliation to Statement of Financial Position

Cash and cash equivalents	\$ 116,527	\$ 446,008
Cash held for endowment	57,000	50,605
Total cash and cash equivalents at end of year for cash flows	<u>\$ 173,527</u>	<u>\$ 496,613</u>

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

The Bible Seminary
Note Disclosures to the Financial Statements
May 31, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021

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, 2022 and 2021 are \$13,645 and \$11,655, 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, 2022 and 2021 are \$65,800 and \$65,800, respectively. The Seminary anticipates renewing its leases sometime between January and March 2023.

Note 5, Concentration of Contributions

The Seminary received contributions from four sources that amounted to approximately 14% and 34%, respectively, of total revenues for the years ended May 31, 2022 and 2021.

Note 6, Line of Credit

As of May 31, 2021, 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 has the option to renew through June 2023.

The Bible Seminary
 Note Disclosures to the Financial Statements
 May 31, 2022 and 2021

Note 7, Property and Equipment

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

	2022	2021
Technology and other equipment	\$ 65,396	\$ 50,190
Furniture and fixtures	19,398	18,783
Leasehold improvements	13,609	6,309
	98,403	75,282
Accumulated depreciation	(71,919)	(63,217)
Total property and equipment	\$ 26,484	\$ 12,065

Note 8, PPP Loan

In May 2020, the Seminary received the first round Paycheck Protection Program (“PPP”) 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. Therefore, for the year ended May 31, 2021, as conditions for expenditure were substantially met, funds totaling \$30,627 were recognized as grant revenue. The remaining balance of funds from the first round of PPP totaling \$37,569 was refunded to the SBA in 2021.

In March 2021, the Seminary received the second round PPP 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 \$49,683 and \$129,747 at May 31, 2022 and 2021, respectively. See the Liquidity disclosure.

Net assets with donor restrictions at May 31, 2022 and 2021 consists of funds totaling \$57,000 and \$50,605, respectively, to establish an endowment in the near future, and funds totaling \$1,650 and \$5,250, respectively, for scholarships.

Note 10, 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.

The Bible Seminary
 Note Disclosures to the Financial Statements
 May 31, 2022 and 2021

Note 11, 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 \$49,683 and \$129,747 at May 31, 2022 and 2021, 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:

	2022	2021
Current assets	\$ 178,470	\$ 507,713
Less: non-liquid assets: prepaid expenses	(25,273)	(28,490)
Less: those unavailable for general expenditures within one year		
Internally designated:		
Board-designated reserve	(49,683)	(129,747)
Donor-imposed restrictions		
Donor restrictions	(58,650)	(55,855)
Available financial assets	\$ 44,864	\$ 293,621