

The Bible Seminary
Katy, Texas

Financial Statements Together With
Independent Auditor's Report

May 31, 2023 and 2022



RATLIFF + ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

The Bible Seminary
Financial Statements
May 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

New Accounting Standard for Leases

As discussed in the notes to the financial statements, the Organization adopted the new accounting standard ASC 2016-02, Leases (Topic 842). This new standard requires the Organization (the lessee) to recognize lease right-of-use (“ROU”) assets and corresponding lease liabilities for operating leases on the statement of financial position. Operating lease costs are included and allocated with operating expenses on the statements of activities and functional expenses. The change in standard was applied retrospectively resulting in an ROU asset and offsetting lease liabilities of \$81,163 and \$145,711, respectively, for the years ended May 31, 2023 and 2022. Net assets and changes in net assets are unchanged due to the change in accounting standard. Our opinion is not modified with respect to this matter.

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.

Independent Auditor's Report (continued)

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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.

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.

Razloff & Associates, P.C.

September 13, 2023

The Bible Seminary
 Statements of Financial Position
 May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 130,015	\$ 116,527
Tuition and fees receivable	26,835	36,669
Prepaid expenses	19,682	25,273
Total current assets	<u>176,532</u>	<u>178,469</u>
Noncurrent assets		
Net property and equipment	17,176	26,484
ROU asset	81,163	145,711
Lease security deposit	4,602	4,602
Cash held for endowment	57,015	57,000
Total noncurrent assets	<u>159,956</u>	<u>233,797</u>
Total Assets	<u>\$ 336,488</u>	<u>\$ 412,266</u>
Liabilities & net assets		
Liabilities		
Current liabilities		
ROU liability current portion	\$ 69,520	\$ 64,548
Accounts payable	5,741	-
Deferred revenue	-	13,350
Total current liabilities	<u>75,261</u>	<u>77,898</u>
Noncurrent liabilities		
ROU liability	11,643	81,163
Total noncurrent liabilities	<u>11,643</u>	<u>81,163</u>
Total liabilities	<u>86,904</u>	<u>159,061</u>
Net assets		
Without donor restrictions	188,119	194,555
With donor restrictions	61,465	58,650
Total net assets	<u>249,584</u>	<u>253,205</u>
Total Liabilities & Net Assets	<u>\$ 336,488</u>	<u>\$ 412,266</u>

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

The Bible Seminary
 Statements of Activities
 For the Years Ended May 31, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions		
Revenues		
Revenues without donor restrictions		
Contributions	\$ 794,605	\$ 480,780
Tuition and fees	158,815	166,177
Investment income (loss), net	2,684	2,729
Total revenues without donor restrictions	956,104	649,686
Net assets released from restrictions		
Satisfaction of program restrictions	3,500	8,500
Total revenues	959,604	658,186
Expenses		
Programs		
Education	655,164	648,045
Total program expenses	655,164	648,045
Support services		
Management and general	264,362	266,191
Fundraising	46,514	41,500
Total support services expenses	310,876	307,691
Total expenses	966,040	955,736
Change in net assets without donor restrictions	(6,436)	(297,550)
Changes in net assets with donor restrictions		
Contributions for scholarships and endowment	6,315	11,295
Net assets released from restriction	(3,500)	(8,500)
Change in net assets with donor restrictions	2,815	2,795
Change in total net assets	(3,621)	(294,755)
Net assets at beginning of year	253,205	547,960
Net assets at end of year	\$ 249,584	\$ 253,205

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, 2023

	Programs	Support services		Total expenses
	Education	Management and general	Fundraising	
Awards and grants	\$ 21,766	\$ -	\$ -	\$ 21,766
Marketing	3,626	17,355	10,857	31,838
Facilities and equipment	50,448	39,649	4,074	94,171
Administrative costs	15,902	24,746	914	41,562
Accreditation	9,683	-	-	9,683
Salaries and wages	514,523	150,841	30,378	695,742
Contract faculty and other services	23,063	17,300	-	40,363
Travel and meetings	6,068	5,371	-	11,439
Other	10,085	9,100	291	19,476
Total expenses	\$ 655,164	\$ 264,362	\$ 46,514	\$ 966,040

For the Year Ended May 31, 2022

	Programs	Support services		Total expenses
	Education	Management and general	Fundraising	
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	\$ 648,045	\$ 266,191	\$ 41,500	\$ 955,736

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Cash received from contributions and other income	\$ 803,604	\$ 494,804
Cash received from tuition and fees	155,299	149,048
Interest received	-	-
Cash paid for programs and support services	(943,915)	(943,817)
Net cash provided (used) by operating activities	14,988	(299,965)
Cash flows from investing activities		
Purchases of property and equipment	(1,485)	(23,121)
Net cash provided (used) by investing activities	(1,485)	(23,121)
Cash flows from financing activities		
PPP loan repayment	-	-
Net cash provided (used) by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	13,503	(323,086)
Cash and cash equivalents at beginning of year	173,527	496,613
Cash and cash equivalents at end of year	\$ 187,030	\$ 173,527
 Reconciliation of change in total net assets to net cash provided (used) by operating activities		
Change in total net assets	\$ (3,621)	\$ (294,755)
Adjustments		
Depreciation	10,793	8,702
PPP loan forgiven	-	-
Change in receivables	9,834	(3,454)
Change in prepaid expenses	5,591	3,217
Change in accounts payable	5,741	-
Change in deferred revenue	(13,350)	(13,675)
Total adjustments	18,609	(5,210)
Net cash provided (used) by operating activities	\$ 14,988	\$ (299,965)
 Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 130,015	\$ 116,527
Cash held for endowment	57,015	57,000
Total cash and cash equivalents at end of year for cash flows	\$ 187,030	\$ 173,527

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

The Bible Seminary
Note Disclosures to the Financial Statements
May 31, 2023 and 2022

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 training for laity and vocational ministry professionals. On-campus and Distance Education programs include a Certificate of Theological Studies non-degree program, as well as a Dual Degree Completion program, eight Master of Arts programs, and a Master of Divinity degree program.

The 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).

The Seminary is a member of the National Council for State Authorization Reciprocity Agreements (NC-SARA) approved to offer Distance Education, a member of the Council for Higher Education Accreditation (CHEA), an approved CEU provider for the Association of Christian Schools International (ACSI), and an accredited member of the Evangelical Council for Financial Accountability (ECFA).

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, 2023 and 2022

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 Certificate of Theological Studies, 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, 2023 and 2022

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 years ended May 31, 2023 and 2022, write-offs totaled \$5,700 and \$0.

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, 2023 and 2022

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, 2023 and 2022 are \$15,218 and \$13,645, respectively.

Note 4, Lease Activities

The Seminary is under contractual leases for office and classroom space under non-cancelable operating leases that expire on July 31, 2024. In 2023, the Organization adopted the new accounting standard ASC 2016-02, Leases (Topic 842). This new standard requires the Organization (the lessee) to recognize lease right-of-use (“ROU”) assets and corresponding lease liabilities for operating leases on the statement of financial position. Operating lease costs are included and allocated with expense on the statements of activities and functional expenses. A discount rate was not used since it was determined not to materially impact these calculations. The change in standard was applied retrospectively resulting in an ROU asset and offsetting lease liability of \$81,163 and \$145,711, respectively, for the years ended May 31, 2023 and 2022. Net assets and changes in net assets are unchanged due to the change in accounting standard. For the years ended May 31, 2023 and 2022, operating lease expense was \$67,496 and \$65,856, respectively.

The ROU assets are measured based upon the minimum future expenses remaining on the leases. The lease liabilities are measured based upon the minimum future payments remaining on the leases.

Following are the approximate minimum annual operating lease payments remaining at May 31, 2023:

2024	69,520
2025	<u>11,643</u>
Minimum payments required	<u>\$ 81,163</u>

The Bible Seminary
 Note Disclosures to the Financial Statements
 May 31, 2023 and 2022

Note 4, Lease Activities (continued)

Reconciliation to the statement of financial position at May 31, is as follows:

	<u>2023</u>	<u>2022</u>
Current portion of the operating lease liabilities	\$ 69,520	\$ 64,548
Noncurrent portion of the operating lease liabilities	<u>11,643</u>	<u>81,163</u>
Minimum payments required	<u>\$ 81,163</u>	<u>\$ 145,711</u>

Note 5, Concentration of Contributions

The Seminary received contributions from four sources that amounted to approximately 39% and 14%, respectively, of total revenues for the years ended May 31, 2023 and 2022.

Note 6, Line of Credit

As of May 31, 2023 and 2022, the Seminary had an unsecured credit line of \$100,000 with Grace Fellowship Church. The outstanding balance is zero, and no draws have been made. No interest is charged, and the line of credit had the option to renew through June 2023. The Seminary did not renew the line of credit past June 2023.

Note 7, Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Technology and other equipment	\$ 66,882	\$ 65,396
Furniture and fixtures	19,398	19,398
Leasehold improvements	<u>13,609</u>	<u>13,609</u>
	99,889	98,403
Accumulated depreciation	<u>(82,713)</u>	<u>(71,919)</u>
Total property and equipment	<u>\$ 17,176</u>	<u>\$ 26,484</u>

The Bible Seminary
Note Disclosures to the Financial Statements
May 31, 2023 and 2022

Note 9, 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.

Note 8, Net Assets

Net assets that are without donor restriction but internally designated by the board consist of reserve funds totaling \$33,004 and \$49,683 at May 31, 2023 and 2022, respectively. See the Liquidity disclosure.

Net assets with donor restrictions at May 31, 2023 and 2022 consists of funds totaling \$57,015 and \$57,000, respectively, to establish an endowment in the near future, and funds totaling \$4,450 and \$1,650, respectively, for scholarships.

Note 9, 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 \$33,004 and \$49,683 at May 31, 2023 and 2022, 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 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.

The Bible Seminary
 Note Disclosures to the Financial Statements
 May 31, 2023 and 2022

Note 9, Liquidity and Availability of Financial Assets (continued)

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

	<u>2023</u>	<u>2022</u>
Current assets	\$ 176,532	\$ 178,469
Less: non-liquid assets: prepaid expenses	(19,682)	(25,273)
Less: those unavailable for general expenditures within one year		
Internally designated:		
Board-designated reserve	(33,004)	(49,683)
Donor-imposed restrictions		
Donor restrictions	<u>(4,450)</u>	<u>(1,650)</u>
Available financial assets	<u>\$ 119,396</u>	<u>\$ 101,863</u>

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.