



Financial Statements
With Independent Auditors Report

June 30, 2018 and 2017

NAZARENE BIBLE COLLEGE

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Nazarene Bible College
Colorado Springs, Colorado

We have audited the accompanying financial statements of Nazarene Bible College (the College), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Nazarene Bible College
Colorado Springs, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nazarene Bible College as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
November 1, 2018

NAZARENE BIBLE COLLEGE

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 319,551	\$ 456,934
Investments	1,225,112	1,361,136
Accounts receivable–net	251,608	263,111
Perkins loan receivable	42,869	43,682
Prepaid expenses and other assets	82,422	24,242
	<u>1,921,562</u>	<u>2,149,105</u>
Property held for sale	5,644,236	5,643,223
Property, plant, and equipment–net	159,695	189,626
Investments held for endowments	<u>2,709,756</u>	<u>2,587,757</u>
Total Assets	<u><u>\$ 10,435,249</u></u>	<u><u>\$ 10,569,711</u></u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 182,671	\$ 203,263
Federal student loan funds	29,083	31,678
Deferred revenue	329,791	241,593
	<u>541,545</u>	<u>476,534</u>
Defined benefit pension liability	3,657,768	3,903,163
Asset retirement obligations	48,960	46,552
	<u>4,248,273</u>	<u>4,426,249</u>
Net assets:		
Unrestricted:		
Operating	3,153,670	3,139,647
Designated–general assembly fund	10,008	60,019
Equity in property, plant, and equipment	159,695	189,626
	<u>3,323,373</u>	<u>3,389,292</u>
Temporarily restricted	792,740	706,075
Permanently restricted	2,070,863	2,048,095
	<u>6,186,976</u>	<u>6,143,462</u>
Total Liabilities and Net Assets	<u><u>\$ 10,435,249</u></u>	<u><u>\$ 10,569,711</u></u>

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Activities

	Year Ended June 30,							
	2018			2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Tuition and fees, net	\$ 2,893,275	\$ -	\$ -	\$ 2,893,275	\$ 3,418,807	\$ -	\$ -	\$ 3,418,807
Gifts and grants	1,115,471	43,089	-	1,158,560	1,116,400	56,891	-	1,173,291
Federal aid reimbursement	-	-	-	-	-	-	-	-
Investment and interest income	158,165	-	-	158,165	238,707	-	-	238,707
Auxiliary enterprises:								
Bookstore sales	9,882	-	-	9,882	226,485	-	-	226,485
Other	24,279	-	-	24,279	(7,499)	-	-	(7,499)
Total Support and Revenue	4,201,072	43,089	-	4,244,161	4,992,900	56,891	-	5,049,791
NET ASSETS RELEASED:								
Purpose and time restrictions	55,655	(55,655)	-	-	31,106	(31,106)	-	-
EXPENSES:								
Institutional support	1,859,021	-	-	1,859,021	1,840,439	-	-	1,840,439
Instruction	1,404,612	-	-	1,404,612	1,453,091	-	-	1,453,091
Academic support	864,292	-	-	864,292	1,097,377	-	-	1,097,377
Operations and maintenance	196,946	-	-	196,946	411,945	-	-	411,945
Marketing and recruitment	274,021	-	-	274,021	266,679	-	-	266,679
Depreciation and amortization	72,992	-	-	72,992	244,223	-	-	244,223
Auxiliary	2,375	-	-	2,375	335,426	-	-	335,426
	4,674,259	-	-	4,674,259	5,649,180	-	-	5,649,180
Change in Net Assets from Operating Activities	(417,532)	(12,566)	-	(430,098)	(625,174)	25,785	-	(599,389)

(continued)

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Activities

(continued)

	Year Ended June 30,							
	2018			2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NON-OPERATING ACTIVITIES:								
Contributions	-	-	22,768	22,768	-	-	227,824	227,824
Investment gain on endowments	-	177,810	-	177,810	4,955	213,455	-	218,410
Release-purpose restriction	78,579	(78,579)	-	-	91,865	(91,865)	-	-
Change in net assets related to defined pension liability	273,034	-	-	273,034	214,832	-	-	214,832
	(65,919)	86,665	22,768	43,514	(313,522)	147,375	227,824	61,677
Net Assets, Beginning of Year	3,389,292	706,075	2,048,095	6,143,462	3,702,814	558,700	1,820,271	6,081,785
Net Assets, End of Year	<u>\$ 3,323,373</u>	<u>\$ 792,740</u>	<u>\$ 2,070,863</u>	<u>\$ 6,186,976</u>	<u>\$ 3,389,292</u>	<u>\$ 706,075</u>	<u>\$ 2,048,095</u>	<u>\$ 6,143,462</u>

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,514	\$ 61,677
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	72,992	244,223
Net unrealized and realized gains on investments	(335,975)	(457,117)
(Gain) loss on sale of property, plant, and equipment	(6,636)	26,430
Change in defined benefit pension liability	(245,395)	(358,956)
Change in operating assets and liabilities:		
Accounts receivable	11,503	(137,117)
Inventory	10,527	176,260
Prepaid expenses and other assets	(68,707)	29,201
Accounts payable and accrued expenses	(20,592)	13,787
Deferred revenue	88,198	88,156
Net Cash Used by Operating Activities	<u>(450,571)</u>	<u>(313,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(41,830)	(46,158)
Proceeds from sales of property, plant, and equipment	6,800	59,932
Proceeds from sales of investments	350,000	625,000
Net Perkins loans and federal student loan transactions	(1,782)	(20,424)
Net Cash Provided by Investing Activities	<u>313,188</u>	<u>618,350</u>
Net Change in Cash and Cash Equivalents	(137,383)	304,894
Cash and Cash Equivalents, Beginning of Year	<u>456,934</u>	<u>152,040</u>
Cash and Cash Equivalents, End of Year	<u>\$ 319,551</u>	<u>\$ 456,934</u>
SUPPLEMENTAL DISCLOSURE:		
Property, plan, and equipment transferred to property held for sale	<u>\$ 1,013</u>	<u>\$ 1,923,223</u>

See notes to financial statements

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

1. NATURE OF ORGANIZATION:

Nazarene Bible College (the College) is a nonprofit educational institution of the Church of the Nazarene (the Church) specializing in training and educating students for Christian vocations. The College is governed by a board of trustees which is elected by the General Assembly of the Church. The College is a nonprofit corporation exempt, as a subordinate unit of the Church, from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law(s). However, the College is subject to federal income tax on any unrelated business taxable income. In addition the College is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

The principal sources of revenue are from tuition, fees, and gifts from the Church. The College operates in both online formats and in Colorado Springs, Colorado, and has affiliations with various Multicultural Extension Training Centers (METCs) throughout the United States. The administrative offices of the College are located in Lenexa, Kansas.

The METCs are designed to provide classroom education to students in their cultural context. The accompanying financial statements do not include the operations of the METCs because they do not meet the criteria of reporting of related entities for consolidation purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The College maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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 the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, and money market accounts. As of June 30, 2018 and 2017, the College's cash balances exceeded federally insured limits by approximately \$70,000 and \$205,000, respectively. The College has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

INVESTMENTS

Investments are recorded at fair market value. Unrealized gains or losses in fair value are recognized in the year in which they occur and reflected on the statements of activities.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from students for tuition and fees and are net of an allowance for doubtful accounts of \$65,150 and \$65,000 as of June 30, 2018 and 2017, respectively. Management's estimate of uncollectible accounts was based upon an analysis of past due accounts and historical collections. Accounts are written off when all methods to collect have been exhausted. As of June 30, 2018 and 2017, there were no accounts that were accruing interest.

PERKINS LOAN FUNDS

Loans made to students under the National Direct Student Loan Act (Perkins loans) are not due for repayment until subsequent to graduation and may be cancellable through teaching, military service, death, or bankruptcy. Management believes all loans are fully collectible and has not recorded an allowance as of June 30, 2018 and 2017. These loans are reflected as assets in the statements of financial position. Delinquent loans are computed using a historical default rate. Loans in default assigned to the U.S. Department of Education are charged to the allowance in the year in which they are assigned. Loans are written off when all methods to collect have been exhausted. A prorated portion of the federal contributions may be refundable to the federal government in the future and is shown as a liability.

PROPERTY, PLANT, AND EQUIPMENT

The College records property, plant, and equipment at cost or, if donated, at fair value as of the date of the gift. Property, plant, and equipment donated with restrictions regarding its use and contributions of cash to acquire property and equipment are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. The College capitalizes purchases or donations greater than \$1,000. Depreciation for financial reporting purposes is provided using the straight-line method over the estimated useful lives:

Building and improvements	40 years
Land improvements	25 years
Furniture and equipment	5-10 years
Vehicles	5-10 years
Computers and software	5 years

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY HELD FOR SALE

During the year ended June 30, 2017, as a result of the College moving its operational headquarters, the property, plant, and equipment and undeveloped land located in Colorado Springs was actively marketed, resulting in a reclassification from property, plant, and equipment to property held for sale. Property held for sale is valued at the lower of carrying value or fair value less costs to sell.

As of June 30, 2018, the property is continued to be classified as property held for sale. Based on activity on the property at its current marketed value and conversations held, the College believes the carrying value of the property held for sale does not exceed the fair value less costs to sell. Therefore, no impairment has been recorded.

STUDENT FINANCIAL ASSISTANCE PROGRAMS

The College participates in the delivery of student financial assistance under various programs and administered by the U.S. Department of Education. The related activity is subject to audit both by an independent certified public accountant and representatives of the administering agency regarding compliance with applicable regulations. Any resultant findings of non-compliance could potentially result in the required return of related funds received and/or the assessment of fines or penalties, or the discontinuation of eligibility for participation. A significant amount of the revenue earned by the College is received from student financial assistance funds provided to students. In the opinion of management, the ultimate outcome of any such audits will not have a material impact on the College's financial statements.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

CLASSES OF NET ASSETS

The net assets of the College are reported in the following three classes:

Unrestricted net assets represent those net assets whose use is not restricted by the donors; however, their use may be limited by board designation. Included in unrestricted net assets are resources that are used to support current operations, including property, plant, and equipment. Board designated amounts are not available to management for operations.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS, continued

Temporarily restricted net assets include donor-restricted contributions for specified exempt purposes and earnings from endowments. As of June 30, 2018 and 2017, all temporarily restricted net assets were related to scholarships.

Permanently restricted net assets are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized.

Management of the College has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanent restricted net assets (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of the subsequent gifts to the permanent endowment. This will then have the permanently restricted net assets reflect the historical cost value of the endowment. All gains will be added to the temporarily restricted net assets until which time a determination is made as to its disposition. If there are capital losses, those losses will go first against the temporarily restricted endowment funds and then be recorded in the unrestricted net asset category. All future gains will go first to cover those losses before returning to the temporarily restricted net asset category.

Spending policies and how the investment objectives relate to spending policy: The College has a policy of appropriating for distribution each year 5 percent of its endowment fund's balance as of the prior fiscal year end, except that disbursements shall not exceed earnings. In establishing this policy, the College considered the long-term expected return on its endowment investments. The primary investment objective of endowment funds is to follow those policies that will preserve the principal value, provide predictable income and, to the extent possible with prudence, to increase the principal to offset the long-term effects of inflation. Accordingly, over the long-term, the College expects the current spending policy to allow its endowment to grow on an annual basis. Actual results in any given year may vary.

REVENUE AND SUPPORT

Tuition and fees are recognized when students have participated in classes and/or extra-curricular activities, net of scholarships and grants, and are non-refundable by the College. Amounts received in advance are recorded as deferred income and amounts earned but not received are treated as accounts receivable. Tuition and fees are recorded net of scholarships of \$927,038 and \$950,669 for the years ended June 30, 2018 and 2017, respectively, in the statements of activities.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND SUPPORT, continued

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Investment income is recognized when earned. Unrealized gains and losses are recorded to reflect the investments at their fair market value.

Bookstore and food service sales are recognized when earned. There are no advance receipts of payments and all payments are collected when the item is sold, creating no accounts receivable.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the programs and supporting activities benefited. Expenses for each year are as follows:

	Year Ended June 30,	
	2018	2017
Program services	\$ 3,396,932	\$ 4,210,328
Supporting activities:		
General and administrative	1,058,643	1,190,339
Fund-raising	218,684	248,513
	<u>\$ 4,674,259</u>	<u>\$ 5,649,180</u>

ADVERTISING

The College uses advertising to recruit prospective students. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017, was \$97,757 and \$121,676 and, respectively.

RECLASSIFICATIONS

Current prior year amounts were reclassified to conform with current year presentation. Amounts reclassified include an increase of temporarily restricted contributions, categorized as benevolence, of \$17,787, resulting in an increase of temporarily restricted net assets as of June 30, 2017 (see note 9). Unrestricted net assets as of June 30, 2017 were decreased by the same amount.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

3. FAIR VALUE MEASUREMENTS:

The Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The College uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the College measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position:

	Fair Value	Fair Value Measurements Using:	
		Other Significant Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments as of June 30, 2018:			
Church of the Nazarene Pooled Operating Fund:			
Cash and cash equivalents	\$ 110,963	\$ 110,963	\$ -
Equity funds	2,175,195	2,175,195	-
Fixed income funds	1,263,093	1,263,093	-
Other funds	385,617	385,617	-
	<u>\$ 3,934,868</u>	<u>\$ 3,934,868</u>	<u>\$ -</u>
Investments as of June 30, 2017:			
Church of the Nazarene Pooled Operating Fund:			
Cash and cash equivalents	\$ 97,933	\$ 97,933	\$ -
Equity funds	2,251,264	2,251,264	-
Fixed income funds	1,230,475	1,230,475	-
Other funds	369,221	369,221	-
	<u>\$ 3,948,893</u>	<u>\$ 3,948,893</u>	<u>\$ -</u>

Following is a description of the valuation methodologies used in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

3. FAIR VALUE MEASUREMENTS, continued:

Level 1 Fair Value Measurements

Quoted prices in active markets for identical assets or liabilities. The College has no Level 1 assets or liabilities as of June 30, 2018 and 2017.

Level 2 Fair Value Measurements

The fair values of the pooled operating funds are based on the quoted market prices of the underlying assets owned and managed by the operating fund.

Level 3 Fair Value Measurements

The fair value of items identified as Level 3 is estimated from unobservable inputs. Level 3 is based on appraisals and market comparisons of similar properties. Management also factored in closing and legal costs, marketability and other adjustments when determining the fair market value.

4. INVESTMENTS:

Operating investments as of June 30, 2018 and 2017, consist of the following:

	June 30,	
	2018	2017
Church of the Nazarene Pooled Operating Fund	\$ 3,934,868	\$ 3,948,893
Assets held for endowment	(2,709,756)	(2,587,757)
	<u>\$ 1,225,112</u>	<u>\$ 1,361,136</u>

Investment income consists of the following:

	Year Ended June 30,	
	2018	2017
<u>Non-operating</u>		
Realized and unrealized gain	<u>\$ 177,810</u>	<u>\$ 218,410</u>
<u>Operating</u>		
Realized and unrealized gain	\$ 117,475	\$ 208,109
Interest and dividends	55,522	45,022
Less: investment expenses	(14,832)	(14,424)
	<u>\$ 158,165</u>	<u>\$ 238,707</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

5. PROPERTY, PLANT, AND EQUIPMENT—NET:

Property, plant, and equipment—net consist of:

	June 30,	
	2018	2017
Computers	\$ 992,757	\$ 1,069,433
Equipment and library books	126,491	165,249
Vehicles	-	45,997
	<u>1,119,248</u>	<u>1,280,679</u>
Accumulated depreciation and amortization	<u>(959,553)</u>	<u>(1,091,053)</u>
	<u>\$ 159,695</u>	<u>\$ 189,626</u>

6. RETIREMENT PLANS:

DEFINED BENEFIT PLAN

On January 1, 1996, the College established a defined benefit pension plan (the Plan) covering eligible employees who chose to participate. Approximately on half of the College's eligible employees currently participate in the Plan. The benefits are based on years of service and the employee's highest average compensation. The funding policy is to review the Plan's status annually and make contributions in accordance with the Plan's objectives. The Plan was frozen effective May 31, 2010. The following table sets forth the Plan's funded status and amounts recognized in the College's statements of financial position in accordance with the ASC topic of Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans:

	June 30,	
	2018	2017
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 6,657,300	\$ 6,834,800
Service cost	112,946	122,077
Interest cost	239,255	229,792
Plan participant contributions	23,498	27,531
Actuarial gain	(273,034)	(214,832)
Administrative expenses paid	(70,962)	(74,018)
Benefits paid	<u>(300,218)</u>	<u>(268,050)</u>
Benefit Obligation at End of Year	<u>\$ 6,388,785</u>	<u>\$ 6,657,300</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

6. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued

	June 30,	
	2018	2017
Change in Plan Assets:		
Fair value of plan assets at beginning of year	\$ 2,754,137	\$ 2,572,681
Actual return on plan assets	240,832	295,670
Employer contributions	83,730	200,323
Plan participant contributions	23,498	27,531
Administrative expenses paid	(70,962)	(74,018)
Benefits paid	(300,218)	(268,050)
Fair Value of Plan Assets at End of Year	<u>\$ 2,731,017</u>	<u>\$ 2,754,137</u>
Reconciliation of Funded Status:		
Funded status (underfunded)	<u>\$ (3,657,768)</u>	<u>\$ (3,903,163)</u>
Defined Benefit Pension Liability	<u>\$ (3,657,768)</u>	<u>\$ (3,903,163)</u>
	June 30,	
	2018	2017
Net Periodic Benefit Cost:		
Service cost	\$ 112,946	\$ 122,077
Interest cost	239,255	229,792
Expected return on plan assets	(182,146)	(174,897)
Net loss amortization	181,234	264,546
Net Periodic Benefit Cost	<u>\$ 351,289</u>	<u>\$ 441,518</u>
Weighted-average assumptions and method disclosures include:		
	Year Ended June 30,	
	2018	2017
Discount rate	4.15%	3.70%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	2.50%	2.50%
Amortization method	Straight-line	Straight-line

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

6. RETIREMENT PLANS, continued:

DEFINED CONTRIBUTION PLAN

On January 1, 1996, the College's employees also became eligible to participate in the Church's defined contribution plan. Under this tax-sheltered 403(b)(9) annuity plan, participants can contribute pre-tax earnings toward their retirement. The College then contributes a matching portion of up to 4% of the employee compensation. Employees hired prior to May 1, 2017 are grandfathered at the College contribution of up to 7% of employee compensation if not a participant in the Defined Benefit Plan. Employees who participate in the Defined Benefit Plan are eligible for a matching portion of up to 3% of the employee compensation. Employees vest in their employer contributions after five years of service. Total contributions by the College amounted to \$54,126 and \$80,501 for the years ended June 30, 2018 and 2017, respectively.

7. LINE OF CREDIT:

In September 2017, the College obtained a revolving line of credit with an interest rate of 5.25%, held at a financial institution, secured by real property, accounts receivable, equipment, and general intangibles. The line of credit matures September 2019. As of June 30, 2018, the line of credit was not drawn upon.

8. RELATED PARTY TRANSACTIONS:

The College received contributions from the Church for education services of \$943,833 for both years ended June 30, 2018 and 2017. These contributions represent approximately 22% and 19% of total support and revenue received during the years ended June 30, 2018 and 2017, respectively.

The College received funds from various individual Nazarene congregations as an annual offering. For the years ended June 30, 2018 and 2017, the annual offerings totaled \$132,879 and \$142,026, respectively.

During the year ended June 30, 2018, the College entered into an operating lease with the Church for office space. Lease expense totaled \$61,772 and \$0 for the years ended June 30, 2018 and 2017, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2018	2017
Scholarships	\$ 585,511	\$ 522,367
Lectureship	125,320	108,415
Benevolence	17,587	17,787
Other	64,322	57,506
	<u>\$ 792,740</u>	<u>\$ 706,075</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

10. ENDOWMENT FUNDS AND RELATED ASSETS:

Assets held for endowment fund consist of:

	June 30,	
	2018	2017
Church of the Nazarene Pooled Operating Fund	\$ 2,709,756	\$ 2,587,757

Permanently restricted net assets consist of:

Scholarships	\$ 1,247,152	\$ 1,124,484
Pastoral care	517,864	517,864
Other	405,847	405,747
	<u>\$ 2,170,863</u>	<u>\$ 2,048,095</u>

The endowment net asset composition by type consists of:

	June 30,	
	2018	2017
Donor restricted endowment funds:		
Temporarily restricted	\$ 638,893	\$ 539,662
Permanently restricted	2,070,863	2,048,095
	<u>\$ 2,709,756</u>	<u>\$ 2,587,757</u>

Changes in endowment net assets for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 539,662	\$ 2,048,095	\$ 2,587,757
Investment income	-	177,810	-	177,810
Contributions	-	-	22,768	22,768
Appropriated for expenditure	-	(78,579)	-	(78,579)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 638,893</u>	<u>\$ 2,070,863</u>	<u>\$ 2,709,756</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2018 and 2017

10. ENDOWMENT FUNDS AND RELATED ASSETS, continued:

Changes in endowment net assets for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (4,955)	\$ 418,072	\$ 1,820,271	\$ 2,233,388
Investment income	4,955	213,455	-	218,410
Contributions	-	-	227,824	227,824
Appropriated for expenditure	-	(91,865)	-	(91,865)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 539,662</u>	<u>\$ 2,048,095</u>	<u>\$ 2,587,757</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$0 as of both June 30, 2018 and 2017.

11. OPERATING LEASES:

As part of its exempt activities, the College has incurred certain obligations and commitments relating to internet and software services. Total lease expense for the years ended June 30, 2018 and 2017 was \$299,086 and \$88,104, respectively. Future minimum payments for the year ending June 30, 2019 are \$68,601.

12. OPERATING AND NONOPERATING ACTIVITIES:

The activity of the College has been reported in the statements of activities in the following two categories: operating and non-operating. Operating includes the core educational activities of the College. Non-operating includes all other activity that is not considered to be "core educational", such as gain on land held for investment, permanently restricted contributions, change in net assets related to the defined benefit pension liability other than net periodic costs and investment income related to endowments. These activities may be reoccurring or one time events and management does not rely on or budget for these non-operating activities.

13. SUBSEQUENT EVENTS:

Subsequent to June 30, 2018, the College entered into a contract to sell the amounts listed as property held for sale on the statements of financial position. The sale is expected to close in May 2019.

Subsequent events were evaluated through the November 1, 2018, which is the date the financial statements were available to be issued.