



NAZARENE BIBLE COLLEGE

Financial Statements
With Independent Auditors' Report
and
Federal Awards
In Accordance with the Uniform Guidance

Year Ended June 30, 2021

NAZARENE BIBLE COLLEGE

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of Nazarene Bible College (College), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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
Lenexa, Kansas

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, 2021 and 2020, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Capin Crouse LLP

Colorado Springs, Colorado
November 1, 2021

NAZARENE BIBLE COLLEGE

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 737,176	\$ 320,898
Accounts receivable–net	47,302	54,054
Prepaid expenses and other assets	62,111	80,585
Perkins loan receivable	35,493	41,868
Investments	2,075,225	1,273,138
	2,957,307	1,770,543
Property, plant, and equipment–net	94,927	105,713
Investments held for endowments	3,962,399	3,706,819
	\$ 7,014,633	\$ 5,583,075
Total Assets	\$ 7,014,633	\$ 5,583,075
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 98,322	\$ 66,928
Federal student loan funds	27,994	28,327
Deferred revenue	150,295	165,134
	276,611	260,389
Defined benefit pension liability	2,260,720	3,070,020
	2,537,331	3,330,409
Net assets:		
Without donor restrictions	1,397,518	(573,356)
With donor restrictions:		
Restricted by purpose or time	1,057,355	822,230
Restricted in perpetuity	2,022,429	2,003,792
	4,477,302	2,252,666
Total net assets	\$ 7,014,633	\$ 5,583,075
Total Liabilities and Net Assets	\$ 7,014,633	\$ 5,583,075

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Activities

	Year Ended June 30,							
	2021				2020			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
	Restricted by Purpose or Time	Restricted in Perpetuity			Restricted by Purpose or Time	Restricted in Perpetuity		
SUPPORT AND REVENUE:								
Tuition and fees, net	\$ 1,664,237	\$ -	\$ -	\$ 1,664,237	\$ 1,975,927	\$ -	\$ -	\$ 1,975,927
Gifts and grants	1,032,388	1,026,508	-	2,058,896	1,110,834	452,894	-	1,563,728
Investment and interest income	529,192	-	-	529,192	89,385	-	-	89,385
Auxiliary enterprises and other	53,763	-	-	53,763	81,223	-	-	81,223
Total Support and Revenue	3,279,580	1,026,508	-	4,306,088	3,257,369	452,894	-	3,710,263
NET ASSETS RELEASED:								
Purpose and time restrictions	1,199,825	(1,199,825)	-	-	537,328	(537,328)	-	-
EXPENSES:								
Program services:								
Instruction	891,069	-	-	891,069	1,098,135	-	-	1,098,135
Academic support	461,308	-	-	461,308	641,662	-	-	641,662
Student services	600,863	-	-	600,863	871,853	-	-	871,853
	1,953,240	-	-	1,953,240	2,611,650	-	-	2,611,650
Supporting activities:								
General and administrative	783,462	-	-	783,462	979,236	-	-	979,236
Fund-raising	170,480	-	-	170,480	219,345	-	-	219,345
	953,942	-	-	953,942	1,198,581	-	-	1,198,581
Total Expenses	2,907,182	-	-	2,907,182	3,810,231	-	-	3,810,231
Change in Net Assets from Operating Activities	1,572,223	(173,317)	-	1,398,906	(15,534)	(84,434)	-	(99,968)

(continued)

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Activities (continued)

	Year Ended June 30,							
	2021				2020			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
	Restricted by Purpose or Time	Restricted in Perpetuity			Restricted by Purpose or Time	Restricted in Perpetuity		
NON-OPERATING ACTIVITIES:								
Contributions	-	-	18,637	18,637	-	-	14,907	14,907
Investment gain on endowments	223,697	408,442	-	632,139	21,520	82,955	-	104,475
Release—purpose restriction	-	-	-	-	100,000	-	(100,000)	-
Net periodic pension cost other than service cost	(242,012)	-	-	(242,012)	(339,087)	-	-	(339,087)
Pension-related changes other than net periodic pension cost	416,966	-	-	416,966	(314,598)	-	-	(314,598)
Change in Net Assets	<u>1,970,874</u>	<u>235,125</u>	<u>18,637</u>	<u>2,224,636</u>	<u>(547,699)</u>	<u>(1,479)</u>	<u>(85,093)</u>	<u>(634,271)</u>
Net Assets, Beginning of Year	<u>(573,356)</u>	<u>822,230</u>	<u>2,003,792</u>	<u>2,252,666</u>	<u>(25,657)</u>	<u>823,709</u>	<u>2,088,885</u>	<u>2,886,937</u>
Net Assets, End of Year	<u><u>\$ 1,397,518</u></u>	<u><u>\$ 1,057,355</u></u>	<u><u>\$ 2,022,429</u></u>	<u><u>\$ 4,477,302</u></u>	<u><u>\$ (573,356)</u></u>	<u><u>\$ 822,230</u></u>	<u><u>\$ 2,003,792</u></u>	<u><u>\$ 2,252,666</u></u>

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,224,636	\$ (634,271)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	42,725	50,778
Reinvested dividends	(52,202)	(71,066)
Contributions restricted for endowment fund	(18,637)	(14,907)
Net unrealized and realized gains on investments	(1,102,764)	(122,794)
Loss on disposal of property held for sale	-	9,742
Loss on disposal of property, plant, and equipment	337	1,203
Change in defined benefit pension liability	(809,300)	(1,299,156)
Paycheck Protection Program note payable forgiveness	(415,000)	(415,000)
Change in operating assets and liabilities:		
Accounts receivable	6,752	(10,062)
Prepaid expenses and other assets	18,474	(40,565)
Accounts payable and accrued liabilities	31,394	(65,480)
Deferred revenue	(14,839)	87,793
Net Cash Used by Operating Activities	(88,424)	(2,523,785)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(32,276)	(6,718)
Purchases of investments	-	(999,398)
Proceeds from sales of investments	97,299	150,000
Proceeds from sale of property held for sale	-	3,121,680
Net Perkins loans and federal student loan transactions	6,042	(370)
Net Cash Provided by Investing Activities	71,065	2,265,194
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowment fund	18,637	14,907
Proceeds from Paycheck Protection Program note payable	415,000	415,000
Net Cash Provided by Financing Activities	433,637	429,907
Net Change in Cash and Cash Equivalents	416,278	171,316
Cash and Cash Equivalents, Beginning of Year	320,898	149,582
Cash and Cash Equivalents, End of Year	\$ 737,176	\$ 320,898
NON-CASH TRANSACTION:		
Non-cash financing transaction to recognize loan forgiveness	\$ 415,000	\$ 415,000

See notes to financial statements

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

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 solely in an online modality, and has affiliations with various Multicultural Extension Training Centers (METCs) throughout the United States. The College is authorized in Colorado with administrative offices in Colorado Springs, Colorado and 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 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, 2021 and 2020, the College's cash balances exceeded federally insured limits by approximately \$499,000 and \$142,000, 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 AND INVESTMENTS HELD FOR ENDOWMENTS

Investments, restricted investments, and investments held for endowments consist of a group investment fund held at Northern Trust (Northern) and funds held at the Wesleyan Investment Foundation (WIF). Investments held at Northern are measured at fair value using net asset value (NAV) as a practical expedient and investments held at WIF consist of cash and cash equivalents and are not subject to fair value measurements. Earnings are included within investment and interest income on the statements of activities.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

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 \$38,623 and \$65,551, as of June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020. 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 net assets with donor restrictions to net assets without donor restrictions 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, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

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

Net assets without donor restrictions represent those net assets whose use is not restricted by the donors; however, their use may be limited by board designation. Included in net assets without donor restrictions are resources that are used to support current operations, including property, plant, and equipment. Board designated amounts are not available to management for operations.

Net assets with donor restrictions include donor-restricted contributions for specified exempt purposes, earnings from endowments, and gift instruments requiring the principal be invested in perpetuity.

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 net assets restricted in perpetuity (a) the original value of the gifts donated to the endowment, and (b) the original value of the subsequent gifts to the endowment. This will then have the net assets restricted in perpetuity reflect the historical cost value of the endowment. All investment gains and losses will be added to the net assets with purpose restrictions until which time a determination is made as to its disposition.

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, SUPPORT, EXPENSES, AND REVENUE RECOGNITION

Tuition revenue is recognized ratably over the period in which students have participated in classes and/or extra-curricular activities. Amounts received in advance are recorded as deferred revenue and amounts earned but not received are treated as accounts receivable. Courses are provided every six weeks with revenue recognized ratably over terms: fall, winter, spring and summer. Tuition and fees are recorded net of scholarships also recognized ratably over the academic period, totaling \$293,909 and \$318,137, for the years ended June 30, 2021 and 2020, respectively, in the statements of activities.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE, SUPPORT, EXPENSES, AND REVENUE RECOGNITION, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

During the year ended June 30, 2021, the College received a second Paycheck Protection Program (PPP) loan of \$415,000. The loan is eligible for forgiveness based on the College incurring various qualifying expenses such as normal payroll costs and utilities. Because the College has overcome the required barriers related to these funds as of June 30, 2021, the total amount has been recorded as gifts and grants with donor restrictions on the statements of activities. The College intends to apply for forgiveness during the year ending June 30, 2022.

During the year ended June 30, 2020, the College received the first PPP loan of \$415,000. Because the College overcame the required barriers related to these funds as of June 30, 2020, the total amount has been recorded as gifts and grants with donor restrictions on the statements of activities. The College has received official forgiveness of the first PPP loan during the year ended June 30, 2021.

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

Auxiliary enterprises and other exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary enterprises are priced to offset the cost of goods or services provided. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions. Auxiliary income is recognized over the course of each term as the services are delivered. There are no advance receipts of payments and all payments are collected when the item is sold, creating no accounts receivable.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

STUDENT FINANCIAL ASSISTANCE PROGRAMS

The College participates in various programs administered by the Department of Education (ED) and state boards, and the College acts as an agent for respective agencies. The governmental grants amounts reported exclude funds directly awarded and credited to students under various federal and state programs; however, substantial portions of the tuition and fees revenue and collection of accounts receivable are dependent upon the College's continued participation in the various programs.

The College has been awarded two different types of Higher Education Emergency Relief Fund (HEERF) under three legislative acts since March 13, 2020. Institutions of higher education were awarded various levels of HEERF grant eligibility based upon overall enrollment. During the year ended June 30, 2021, the College was awarded HEERF I funds in the amount of \$493,951 and HEERF II funds in the amount of \$82,244, for total HEERF funding of \$576,195.

During the year ended June 30, 2021, the student funding and institutional funding under HEERF I and HEERF II have been either awarded to students or spent on allowable costs. Therefore the HEERF funds in their entirety were recognized as gift and grant revenue with donor restrictions on the statements of activities.

ADVERTISING

The College uses advertising to recruit prospective students. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020, was \$186,242 and \$215,242, respectively.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606 of the FASB Accounting Standards Codification). The College adopted the provisions of this new standard during the year ended June 30, 2021. The new standard applies to exchange transactions with customers (students) that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following table reflects the College's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, held in perpetual endowments and the accumulated earnings thereof, net of appropriations within one year subject to donor purpose or time restrictions, net of spending pursuant to the restrictions within one year or because funds are set aside by the governing board.

	June 30,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 737,176	\$ 320,898
Accounts receivable—net	47,302	54,054
Investments	2,075,225	1,273,138
Investments held for endowments	3,962,399	3,706,819
Financial assets, year-end:	<u>6,822,102</u>	<u>5,354,909</u>
Less those unavailable for general expenditure within one year, due to:		
Investments held for endowments, not expected to be appropriated	(2,762,060)	(2,505,968)
Investments held for quasi-endowment	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,060,042</u>	<u>\$ 1,848,941</u>

The College has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the College's liquidity management, it invests cash in excess of daily requirements in appropriate short-term interest bearing accounts. The College also has an unsecured line of credit, which may be drawn upon in the event of an anticipated liquidity need. See Note 8 for further detail.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

4. FAIR VALUE MEASUREMENTS:

The College uses Net Asset Value (NAV) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Per ASU 2009-12, *Fair Value Measurements and Disclosures*, the following table lists investments in group investment funds by major category as of June 30, 2021.

Investment Category	Fair Value Determined Using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Group investment fund	<u>\$ 10,861,144</u>	<u>\$ -</u>	Daily	Immediate

The following table lists investments in private equity funds by major category as of June 30, 2020.

Investment Category	Fair Value Determined Using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Group investment fund	<u>\$ 9,045,705</u>	<u>\$ -</u>	Daily	Immediate

The group investment fund is a fund held by Northern that seeks to maintain a diversified portfolio across multiple asset classes. Targeted allocation of this fund is 3% cash and cash equivalents, 33% fixed income, 54% equities, and 10% other. Investments and investments held for endowments as of June 30, 2021 and 2020, include \$365,778 and \$359,453, of cash and cash equivalents, respectively, held at Wesleyan Investment Foundation (WIF) which are not subject to fair value measurements. \$350,000 of the WIF balance is held as collateral for the unused line of credit.

5. INVESTMENTS:

Operating investments as of June 30, 2021 and 2020, consist of the following:

	June 30,	
	2021	2020
Church of the Nazarene Operating Fund	\$ 10,861,144	\$ 9,045,705
Wesleyan Investment Foundation	365,778	359,453
Assets held for defined benefit plan	(5,189,298)	(4,425,201)
Assets held for endowment	(3,962,399)	(3,706,819)
	<u>\$ 2,075,225</u>	<u>\$ 1,273,138</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

5. INVESTMENTS, continued:

Investment and interest income consists of the following:

	Year Ended June 30,	
	2021	2020
<u>Non-operating</u>		
Realized and unrealized gain	\$ 632,139	\$ 104,475
<u>Operating</u>		
Realized and unrealized gain	\$ 495,035	\$ 32,171
Interest and dividends	52,202	71,066
Less: investment expenses	(18,045)	(13,852)
	<u>\$ 529,192</u>	<u>\$ 89,385</u>

6. PROPERTY, PLANT, AND EQUIPMENT—NET:

Property, plant, and equipment—net consist of:

	June 30,	
	2021	2020
Computers	\$ 681,663	\$ 652,456
Furniture and equipment	78,288	78,288
	<u>759,951</u>	<u>730,744</u>
Accumulated depreciation	(665,024)	(625,031)
	<u>\$ 94,927</u>	<u>\$ 105,713</u>

7. 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. The Plan was frozen effective May 31, 2010. Approximately one quarter of the College's current employees 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. Plan assets are held with the group investment fund (see Notes 4 and 5, above). 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:

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

7. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued

	Year Ended June 30,	
	2021	2020
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 7,495,221	\$ 6,975,236
Service cost	114,348	102,083
Interest cost	189,460	233,646
Plan participant contributions	21,870	23,729
Actuarial loss	33,008	558,144
Administrative expenses paid	(73,416)	(71,588)
Benefits paid	(330,473)	(326,029)
	\$ 7,450,018	\$ 7,495,221
Benefit Obligation at End of Year	\$ 7,450,018	\$ 7,495,221
	Year Ended June 30,	
	2021	2020
Change in Plan Assets:		
Fair value of plan assets at beginning of year	\$ 4,425,201	\$ 2,606,060
Actual return on plan assets	1,094,246	138,105
Employer contributions	51,870	2,054,924
Plan participant contributions	21,870	23,729
Administrative expenses paid	(73,416)	(71,588)
Benefits paid	(330,473)	(326,029)
	\$ 5,189,298	\$ 4,425,201
Fair Value of Plan Assets at End of Year	\$ 5,189,298	\$ 4,425,201
	June 30,	
	2021	2020
Reconciliation of Funded Status:		
Funded status (underfunded)	\$ (2,260,720)	\$ (3,070,020)
	\$ (2,260,720)	\$ (3,070,020)
Defined Benefit Pension Liability	\$ (2,260,720)	\$ (3,070,020)

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

7. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued

	Year Ended June 30,	
	2021	2020
Net Periodic Benefit Cost, included in functional expenses:		
Service cost	\$ 114,348	\$ 102,083
Net Periodic Pension Cost, other than service cost, included in non-operating activities:		
Interest cost	189,460	233,646
Expected return on plan assets	(295,880)	(168,222)
Net loss amortization	348,432	273,663
Net periodic pension cost other than service cost	242,012	339,087
Net Periodic Benefit Cost	\$ 356,360	\$ 441,170

Pension related changes other than net periodic benefit cost, included in nonoperating activities, are as follows:

	Year Ended June 30,	
	2021	2020
Amortization of net gain (loss) to net periodic benefit cost	\$ 765,398	\$ (588,261)
Amortization of prior service cost to net periodic benefit cost	(348,432)	273,663
	\$ 416,966	\$ (314,598)

Weighted-average assumptions and method disclosures include:

	Year Ended June 30,	
	2021	2020
Discount rate	2.70%	2.60%
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, 2021 and 2020

7. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued
Expected future benefit payments are:

<u>Year Ending June 30,</u>	
2022	\$ 433,511
2023	469,036
2024	487,532
2025	516,519
2026	533,907
Thereafter	<u>2,483,173</u>
	<u>\$ 4,923,678</u>

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 3% 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 4% of the employee compensation. Employees vest in their employer contributions after five years of service. Total contributions by the College amounted to \$64,081 and \$62,283, for the years ended June 30, 2021 and 2020, respectively.

8. LINE OF CREDIT:

In September 2017, the College obtained a revolving line of credit of \$350,000 with an interest rate of 5.5%, held at a financial institution, secured by investments. The line of credit matures September 2021. As of June 30, 2021 and 2020, the line of credit was not drawn upon.

9. RELATED PARTY TRANSACTIONS:

The College received contributions from the Church for education services of \$855,547 and \$943,833, for the years ended June 30, 2021 and 2020, respectively. These contributions represent approximately 17% and 24%, of total support and revenue received during the years ended June 30, 2021 and 2020, respectively.

The College received funds from various individual Nazarene congregations as an annual offering. For the years ended June 30, 2021 and 2020, the annual offerings totaled \$113,727 and \$137,547, respectively.

During the year ended June 30, 2018, the College entered into an operating lease with the Church for office space. Lease expense totaled \$60,480 and \$64,602, for the years ended June 30, 2021 and 2020, respectively.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

10. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing various program services and supporting activities of the College have been summarized on a functional basis below. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. These expenses require allocation on a reasonable basis that consistently applied. Salaries and benefits are allocated based on average estimates of time and effort by employees. Depreciation and occupancy expenses are allocated based on square footage. Remaining expenses are allocated based on the underlying nature of the expense. The College had not identified joint costs for the years ended June 30, 2021 and 2020.

The following tables presents the functional allocation of expenses:

	For the Year Ended June 30, 2021					
	Program Services			Support Activities		Total
	Instruction	Academic Support	Student Services	General & Administrative	Fund-raising	
Salaries and benefits	\$ 1,011,271	\$ 179,392	\$ 399,564	\$ 586,541	\$ 121,400	\$ 2,298,168
Professional services	11,675	159,471	39,718	102,268	14,350	327,482
Advertising/events	58,097	529	78,000	28,918	20,698	186,242
Occupancy	34,265	43,958	43,958	36,851	8,339	167,371
Supplies & other	11,278	64,970	26,635	20,339	3,984	127,206
Depreciation	6,495	12,988	12,988	8,545	1,709	42,725
	<u>\$ 1,133,081</u>	<u>\$ 461,308</u>	<u>\$ 600,863</u>	<u>\$ 783,462</u>	<u>\$ 170,480</u>	<u>\$ 3,149,194</u>
Less net periodic pension cost in non-operating activities	<u>(242,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(242,012)</u>
Total reconciled expenses	<u>\$ 891,069</u>	<u>\$ 461,308</u>	<u>\$ 600,863</u>	<u>\$ 783,462</u>	<u>\$ 170,480</u>	<u>\$ 2,907,182</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

10. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

	For the Year Ended June 30, 2020					Total
	Program Services			Support Activities		
	Instruction	Academic Support	Student Services	General & Administrative	Fund-raising	
Salaries and benefits	\$ 1,301,577	\$ 344,492	\$ 603,666	\$ 750,838	\$ 158,561	\$ 3,159,134
Professional services	8,635	144,006	28,290	89,584	12,211	282,726
Advertising/events	71,268	-	91,185	26,857	25,932	215,242
Occupancy	35,061	51,731	51,731	43,423	6,683	188,629
Supplies & other	12,963	85,996	81,544	58,379	13,927	252,809
Depreciation	7,718	15,437	15,437	10,155	2,031	50,778
	<u>\$ 1,437,222</u>	<u>\$ 641,662</u>	<u>\$ 871,853</u>	<u>\$ 979,236</u>	<u>\$ 219,345</u>	<u>\$ 4,149,318</u>
Less net periodic pension cost in non-operating activities	(339,087)	-	-	-	-	(339,087)
Total reconciled expenses	<u>\$ 1,098,135</u>	<u>\$ 641,662</u>	<u>\$ 871,853</u>	<u>\$ 979,236</u>	<u>\$ 219,345</u>	<u>\$ 3,810,231</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

11. NET ASSETS WITH DONOR RESTRICTICONS:

Net assets with donor restrictions consist of:

	June 30,	
	2021	2020
Restricted by purpose or time:		
Scholarships	\$ 99,798	\$ 101,616
Benevolence	17,587	17,587
	<u>117,385</u>	<u>119,203</u>
Undistributed endowment earnings:		
Scholarships	709,292	498,134
Lectureship	147,428	144,012
Other	83,250	60,881
	<u>939,970</u>	<u>703,027</u>
	1,057,355	822,230
Restricted in perpetuity:		
Assets held for endowment fund	<u>2,022,429</u>	<u>2,003,792</u>
	<u>\$ 3,079,784</u>	<u>\$ 2,826,022</u>

12. ENDOWMENT FUNDS AND RELATED ASSETS:

Assets held for endowment fund consist of:

	June 30,	
	2021	2020
Church of the Nazarene Operating Fund	\$ 3,596,621	\$ 3,347,366
Wesleyan Investment Fund	365,778	359,453
	<u>\$ 3,962,399</u>	<u>\$ 3,706,819</u>
Permanently restricted net assets consist of:		
Scholarships	\$ 1,198,718	\$ 1,180,082
Pastoral care	517,864	517,864
Other	305,847	305,846
	<u>\$ 2,022,429</u>	<u>\$ 2,003,792</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

12. ENDOWMENT FUNDS AND RELATED ASSETS, continued:

The endowment net asset composition by type consists of:

	June 30,	
	2021	2020
Board-designated endowment funds:		
Quasi-endowment	\$ 1,000,000	\$ 1,000,000
Donor restricted endowment funds:		
Restricted by purpose or time	939,970	703,027
Restricted in perpetuity	2,022,429	2,003,792
	<u>\$ 3,962,399</u>	<u>\$ 3,706,819</u>

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gains	
Endowment net assets, beginning of year	\$ 1,000,000	\$ 2,003,792	\$ 703,027	\$ 3,706,819
Investment income	223,697	-	408,442	632,139
Contributions	-	18,637	-	18,637
Released from restriction	-	-	-	-
Appropriated for expenditure	(223,697)	-	(171,499)	(395,196)
Endowment net assets, end of year	<u>\$ 1,000,000</u>	<u>\$ 2,022,429</u>	<u>\$ 939,970</u>	<u>\$ 3,962,399</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

12. ENDOWMENT FUNDS AND RELATED ASSETS, continued:

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gains	
Endowment net assets, beginning of year	\$ -	\$ 2,088,885	\$ 683,962	\$ 2,772,847
Investment income	21,520	-	82,955	104,475
Contributions	1,000,000	14,907	-	1,014,907
Released from restriction	-	(100,000)	-	(100,000)
Appropriated for expenditure	(21,520)	-	(63,890)	(85,410)
Endowment net assets, end of year	\$ 1,000,000	\$ 2,003,792	\$ 703,027	\$ 3,706,819

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. There were no deficiencies of this nature as of both June 30, 2021 and 2020. During the year ended June 30, 2020, the College was notified that \$100,000 of amounts previously classified as held in perpetuity were released from restriction by the donor and are shown as appropriated for expenditure above.

13. OPERATING LEASES:

As part of its exempt activities, the College has incurred certain obligations and commitments relating to internet, office space, and software services. Total lease expense for the years ended June 30, 2021 and 2020, was \$256,491 and \$360,488, respectively. Future minimum payments related to operating leases are:

<u>Year Ending June 30,</u>	
2022	\$ 38,376
2023	37,802
2024	38,013
2025	6,335
	\$ 120,526

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

14. 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 contributions with donor restrictions to be held in perpetuity, net periodic pension cost other than service cost, pension-related changes other than net periodic pension cost, 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.

15. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the College for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

16. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 1, 2021, which is the date the financial statements were available to be issued.

FEDERAL AWARDS

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL INFORMATION**

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

We have audited the financial statements of Nazarene Bible College as of and for the years ended June 30, 2021 and 2020, and our report thereon dated November 1, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 25 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. The financial responsibility supplemental schedule on pages 34 - 38 is also presented for the purpose of additional analysis as required by the U.S. Department of Education and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Capin Crouse LLP

Colorado Springs, Colorado
November 1, 2021

NAZARENE BIBLE COLLEGE

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION:					
Student Financial Assistance Cluster:					
Federal Direct Student Loan Program	84.268			\$ -	\$ 736,065
Federal Pell Grants	84.063			-	412,121
Federal Supplemental Educational Opportunity Grant Program	84.007			-	25,101
Federal Perkins Loan Program (Note 5)	84.038			-	41,868
Total Student Financial Assistance Cluster					<u>1,215,155</u>
COVID-19 Education Stabilization Fund:					
COVID-19 HEERF-Student Aid Portion	84.425E	P425E205834		-	64,489
COVID-19 HEERF-Institutional Portion	84.425F	P425F205145		-	12,650
COVID-19 HEERF-Funds for the Improvement of Post-Secondary Education	84.425N	P425N200834		-	493,951
Total COVID-19 Education Stabilization Fund					<u>571,090</u>
Total U.S. Department of Education					<u>1,786,245</u>
Total Expenditures of Federal Awards					<u>\$ 1,786,245</u>

See notes to schedule of expenditures of federal awards

NAZARENE BIBLE COLLEGE

Notes to Schedule of Expenditures of Federal Awards

June 30, 2021

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Nazarene Bible College (College) under programs of the federal government for the year ending June 30, 2021. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Expenditures in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. If the College is required to match certain federal assistance, as defined by the grant agreements, no such matching has been included as expenditures in the schedule.

2. INDIRECT COST RATE:

The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. RELATIONSHIP TO FINANCIAL STATEMENTS:

The amount of total expenditures of federal awards reconciles to the revenue in the statement of activities as follows:

Total expenditures of federal awards	\$ 1,786,245
Less:	
Federal Direct Student Loan Program	(736,065)
Federal Pell Grant	(412,121)
Perkins loan program	<u>(41,868)</u>
Government grants included in gifts and grants per statement of activities	<u>\$ 596,191</u>

4. SUBRECIPIENTS, NON-CASH ASSISTANCE, FEDERAL INSURANCE, LOANS, AND LOAN GUARANTEES:

The College did not provide any federal funds to subrecipients nor did they receive any federal non-cash assistance, insurance, or loan guarantees. The College did receive a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan in the amount of \$415,000. (See Note 2 to the financial statements) The SBA has indicated that PPP loans are not subject to Uniform Guidance audit requirements and therefore, the PPP loan is not included in the schedule

NAZARENE BIBLE COLLEGE

Notes to Schedule of Expenditures of Federal Awards

June 30, 2021

5. FEDERAL PERKINS LOAN PROGRAM:

The College administers the Perkins Loan Program. For purposes of the schedule, the amount reported includes the outstanding loan balance at the beginning of the fiscal year. Due to regulation changes, no further loans can be made from the program and no administrative cost allowance can be taken from the loan fund.

Outstanding loan balance at June 30, 2020	<u>\$ 41,868</u>
Outstanding loan balance at June 30, 2021	<u>\$ 35,493</u>

Schools have the option of continuing to collect on outstanding loan balances or can voluntarily liquidate the program. The College has no current plans to begin the Perkins liquidation process, however, is required to periodically return excess cash on hand from the program to the Department of Education.

6. ZONE ALTERNATIVE:

During the fiscal year, the College was operating under the Zone Alternative for failure to meet the Department of Education's standards of financial responsibility. The College must comply with all the requirements specified for the Zone Alternative. As part of the audit procedures, the College's compliance with the Zone Alternative including their administration of the heightened cash monitoring payment method, disbursing aid and paying out credit balances before requesting reimbursement and timely notification requirements was tested. No non-compliance with the requirements was noted. The College was released from the zone alternative requirements in March 2021 as they again met the standards of financial responsibility as of June 30, 2020.

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Nazarene Bible College (College), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Capin Crouse LLP

Colorado Springs, Colorado
November 1, 2021

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

Report on Compliance for Each Major Federal Program

We have audited Nazarene Bible College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2021. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, Nazarene Bible College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Capin Crouse LLP

Colorado Springs, Colorado
November 1, 2021

NAZARENE BIBLE COLLEGE

Schedule of Findings and Questioned Costs

June 30, 2021

Section I - Summary of Audit Results

Financial Statements:

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered a material weakness? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered a material weakness? yes none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings that are required to be reported in accordance with 2 CFR Part 200.516(a)? yes no

Identification of major program(s):

Assistance Listing Numbers
84.268, 84.063, 84.007, and 84.038
84.425E, 84.425F, and 84.425N

Name of Federal Program or Cluster
Student Financial Assistance
COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

NAZARENE BIBLE COLLEGE

Schedule of Findings and Questioned Costs

June 30, 2021

Section II - Financial Statement Findings

There are no current findings in internal control over financial reporting required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NAZARENE BIBLE COLLEGE

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

	Primary Reserve Ratio:	Expendable Net Assets:		
1	Statements of Financial Position - Net assets without donor restrictions, page 3	Net assets without donor restrictions	\$	1,397,518
2	Statements of Financial Position - Net assets with donor restrictions, page 3	Net assets with donor restrictions	\$	3,079,784
3	None	Secured and Unsecured related party receivable	-	
4	None	Unsecured related party receivable	\$	-
5	plant, and equipment—net, page 3 and Notes to Financial Responsibility Supplemental Schedule, Property, plant and equipment, net, Line 3.	Property, plant and equipment, net	<u>94,927</u>	
6	Notes to Financial Responsibility Supplemental Schedule, Property, plant and equipment, net, Line 1c	Property, plant and equipment pre-implementation	\$	60,102
7	None	Property, plant and equipment post-implementation with outstanding debt for original purchase	\$	-
8	Notes to Financial Responsibility Supplemental Schedule, Property, plant and equipment, net, Line 2d	Property, plant and equipment post-implementation <u>without</u> outstanding debt for original purchase	\$	34,825
9	None	Construction in progress	\$	-
10	None - ASU 2016-02 has not been implemented as of June 30, 2021	Lease right-of-use asset, net	<u>-</u>	
11	None - ASU 2016-02 has not been implemented as of June 30, 2021	Lease right-of-use asset, pre-implementation	\$	-
12	None - ASU 2016-02 has not been implemented as of June 30, 2021	Lease right-of-use asset, post-implementation	\$	-
13	None	Intangible assets	\$	-

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Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

14	Statements of Financial Position - Defined benefit pension liability, page 3	Post-employment and pension liabilities	\$	2,260,720
15	None	Long-term debt - for long term purposes	-	
16	None	Long-term debt - for long term purposes pre-implementation	\$	-
17	None	Long-term debt - for long term purposes post-implementation	\$	-
18	None	Line of Credit for Construction in progress	\$	-
19	None - ASU 2016-02 has not been implemented as of June 30, 2021	Lease right-of-use asset liability	-	
20	None - ASU 2016-02 has not been implemented as of June 30, 2021	Pre-implementation right-of-use asset liability	\$	-
21	None - ASU 2016-02 has not been implemented as of June 30, 2021	Post-implementation right-of-use asset liability	\$	-
22	None	Annuities, term endowments and life income with donor restrictions	-	
23	None	Annuities with donor restrictions	\$	-
24	None	Term endowments with donor restrictions	\$	-
25	None	Life income funds with donor restrictions	\$	-
26	Statements of Financial Position - Net assets with donor restrictions-restricted in perpetuity, page 3	Net assets with donor restrictions: restricted in perpetuity	\$	2,022,429
27	Statements of Activities - Total Operating Expenses, (Total from Statement of Activities prior to adjustments), page 4	<u>Total Expenses and Losses:</u>		
		Total expenses without donor restrictions - taken directly from Statement of Activities		2,907,182
28	Statements of Activities - Net periodic pension cost other than service cost, page 5	Net periodic pension cost other than service cost		<u>242,012</u>

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Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

29	Statements of Activities - Total Expenses, add net periodic pension cost other than service cost		\$	3,149,194
		Total Expenses and Losses		
	Equity Ratio:			
		Modified Net Assets:		
30	Statement of Financial Position - Net Assets without Donor Restrictions, page 3.	Net assets without donor restrictions	\$	1,397,518
31	Statement of Financial Position - Total Net Assets with Donor Restriction, page 3.	Net assets with donor restrictions	\$	3,079,784
32	Intangible Assets - (None)	Intangible assets		-
33	Goodwill - (None)	Intangible assets		-
34	None	Secured and Unsecured related party receivables		-
35	None	Unsecured related party receivables	-	-
		Modified Assets:		
36	Statements of Financial Position - Total assets, page 3	Total assets	\$	7,018,802
37	None - ASU 2016-02 has not been implemented as of June 30, 2021	Lease right-of-use asset pre-implementation		-
38	None - ASU 2016-02 has not been implemented as of June 30, 2021	Pre-implementation right-of-use asset liability		-
39	Goodwill (None)	Intangible assets		-
40	None	Secured and Unsecured related party receivables		-
41	None	Unsecured related party receivables	-	-
	Net Income Ratio:			
42	Statements of Activities - Change in Net Assets Without Donor Restrictions, page 5	Change in Net Assets Without Donor Restrictions	\$	1,970,874

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Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

43	Statements of Activities - Total Operating Support and Revenue, page 4	Net Assets Without Donor Restrictions - Operating Support and Revenue	3,279,580
44	Statements of Activities - Net Assets Released from Purpose and Time Restrictions, pages 4	Net Assets Without Donor Restrictions - Operating and non-operating purpose and time releases	1,199,825
45	Statements of Activities - Net Assets Without Donor Restrictions, Non-operating Investment gain on endowment, page 5	Plus: Net Assets Without Donor Restrictions - Non-operating Investment gain on endowment	223,697
46	Statements of Activities - Net Assets Without Donor Restrictions, Non-operating Pension-related changes other than net periodic pension cost, page 5	Net Assets Without Donor Restrictions - Non-operating Pension-related changes other than net periodic pension cost	416,966
47	Statements of Activities - Total Operating Support and Revenue, add operating and nonoperating net assets released from purpose and time restrictions, add nonoperating investment gain on endowments, pages 4-5	Total Revenues and Gains	\$ 5,120,068

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Notes to Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

The Department of Education issued regulations, effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. These disclosures are not required by accounting principles generally accepted in the United States of America but are intended for use by the Department of Education and to ensure compliance with Federal Title IV regulations.

Property, Plant and Equipment, net

1	Pre-implementation property, plant and equipment, net (PP&E, net)	
	a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2020 financial statement)	\$ 98,995
	b. Less subsequent (fiscal year-end June 30, 2021) depreciation and disposals	(38,893)
	c. Balance pre-implementation property, plant and equipment, net as of June 30, 2021	<u>60,102</u>
2	Post-implementation property, plant and equipment, net, acquired without debt:	
	a. Beginning post-implementation property, plant, and equipment, net, as of June 30, 2020	6,718
	b. Property, plant, and equipment acquired without use of debt subsequent to June 30, 2020	32,276
	c. Less subsequent (fiscal year-end June 30, 2021) depreciation and disposals	(4,169)
	d. Ending post-implementation property, plant, and equipment, net, as of June 30, 2021	<u>34,825</u>
3	Total Property, Plant and Equipment, net - June 30, 2021	<u>\$ 94,927</u>

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Auditee Summary Schedule of Prior Audit Findings

June 30, 2021

Financial Statement Findings

There were no prior audit findings in internal control over financial reporting.

Federal Award Findings

There were no prior audit findings or questioned costs.