NAZARENE BIBLE COLLEGE

NAZARENE BIBLE COLLEGE

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

Year Ended June 30, 2022

CAPINCROUSE LLP

NAZARENE BIBLE COLLEGE

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CAPINCROUSE LLP

Celebrating 50 YEARS OF EMPOWERING NONPROFITS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nazarene Bible College, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nazarene Bible College as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Nazarene Bible College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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Auditors' Responsibilities for the Audit of the Financial Statements, continued

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nazarene Bible College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nazarene Bible College's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 21, 2022 on our consideration of Nazarene Bible College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of Nazarene Bible College's 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 Nazarene Bible College's internal control over financial reporting and compliance.

Capin Crouse LLP

Colorado Springs, Colorado
September 21, 2022

NAZARENE BIBLE COLLEGE

Statements of Financial Position

	June 30, 2022	June 30, 2021
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 66,110	$ 737,176
Accounts receivable–net	107,857	47,302
Prepaid expenses and other assets	109,513	62,111
Perkins loan receivable	2,509	35,493
Investments	1,497,814	2,075,225
	1,783,803	2,957,307
Property, plant, and equipment–net	154,740	94,927
Investments held for endowments	3,638,424	3,962,399
Total Assets	$ 5,576,967	$ 7,014,633
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 225,723	$ 98,322
Federal student loan funds	2,674	27,994
Deferred revenue	131,645	150,295
	360,042	276,611
Defined benefit pension liability	1,823,811	2,260,720
Total liabilities	2,183,853	2,537,331
Net assets:		
Without donor restrictions	536,275	1,397,518
With donor restrictions:		
Restricted by purpose or time	813,410	1,057,355
Restricted in perpetuity	2,043,429	2,022,429
Total net assets	3,393,114	4,477,302
Total Liabilities and Net Assets	$ 5,576,967	$ 7,014,633

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Activities

	Year Ended June 30,							
	2022				2021			
		With Donor Restrictions				With Donor Restrictions		
	Without Donor Restrictions	Restricted by Purpose or Time	Restricted in Perpetuity	Total	Without Donor Restrictions	Restricted by Purpose or Time	Restricted in Perpetuity	Total
SUPPORT AND REVENUE:								
Tuition and fees, net	$ 1,609,691	$ -	$ -	$ 1,609,691	$ 1,664,237	$ -	$ -	$ 1,664,237
Gifts and grants	1,084,443	265,547	-	1,349,990	1,032,388	1,026,508	-	2,058,896
Investment and interest income (loss)	(247,641)	-	-	(247,641)	529,192	-	-	529,192
Auxiliary enterprises and other	53,509	-	-	53,509	53,763	-	-	53,763
Total Support and Revenue	2,500,002	265,547	-	2,765,549	3,279,580	1,026,508	-	4,306,088
NET ASSETS RELEASED FROM:								
Purpose and time restrictions	346,503	(346,503)	-	-	1,199,825	(1,199,825)	-	-
EXPENSES:								
Program services:								
Instruction	1,143,554	-	-	1,143,554	1,375,093	-	-	1,375,093
Academic support	556,303	-	-	556,303	461,308	-	-	461,308
Student services	750,789	-	-	750,789	600,863	-	-	600,863
	2,450,646	-	-	2,450,646	2,437,264	-	-	2,437,264
Supporting activities:								
General and administrative	973,907	-	-	973,907	783,462	-	-	783,462
Fund-raising	229,291	-	-	229,291	170,480	-	-	170,480
	1,203,198	-	-	1,203,198	953,942	-	-	953,942
Total Expenses	3,653,844	-	-	3,653,844	3,391,206	-	-	3,391,206
Change in Net Assets from Operating Activities	(807,339)	(80,956)	-	(888,295)	1,088,199	(173,317)	-	914,882

(continued)

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Activities
(continued)

	2022				2021			
		With Donor Restrictions				With Donor Restrictions		
	Without Donor Restrictions	Restricted by Purpose or Time	Restricted in Perpetuity	Total	Without Donor Restrictions	Restricted by Purpose or Time	Restricted in Perpetuity	Total
NON-OPERATING ACTIVITES:								
Contributions	-	-	21,000	21,000	-	-	18,637	18,637
Investment gain (loss) on endowments	(90,316)	(162,989)	-	(253,305)	223,697	408,442	-	632,139
Net periodic pension cost other than service cost	(93,573)	-	-	(93,573)	242,012	-	-	242,012
Pension-related changes other than net periodic pension cost	129,985	-	-	129,985	416,966	-	-	416,966
Change in Net Assets	(861,243)	(243,945)	21,000	(1,084,188)	1,970,874	235,125	18,637	2,224,636
Net Assets, Beginning of Year	1,397,518	1,057,355	2,022,429	4,477,302	(573,356)	822,230	2,003,792	2,252,666
Net Assets, End of Year	$ 536,275	$ 813,410	$ 2,043,429	$ 3,393,114	$ 1,397,518	$ 1,057,355	$ 2,022,429	$ 4,477,302

Year Ended June 30,

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Cash Flows

	Year Ended June 30, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,084,188)	$ 2,224,636
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	50,540	42,725
Reinvested dividends	(81,917)	(52,202)
Contributions restricted for endowment fund	(21,000)	(18,637)
Net unrealized and realized (gains) on investments	582,863	(1,102,764)
Loss on disposal of property, plant, and equipment	-	337
Change in defined benefit pension liability	(436,909)	(809,300)
Paycheck Protection Program note payable forgiveness	-	(415,000)
Change in operating assets and liabilities:		
Accounts receivable-net	(60,555)	6,752
Prepaid expenses and other assets	(47,402)	18,474
Accounts payable and accrued liabilities	54,693	31,394
Deferred revenue	(18,650)	(14,839)
Net Cash Used by Operating Activities	(1,062,525)	(88,424)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(37,645)	(32,276)
Proceeds from sales of investments	400,440	97,299
Net Perkins loans and federal student loan transactions	7,664	6,042
Net Cash Provided by Investing Activities	370,459	71,065
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowment fund	21,000	18,637
Proceeds from Paycheck Protection Program note payable	-	415,000
Net Cash Provided by Financing Activities	21,000	433,637
Net Change in Cash and Cash Equivalents	(671,066)	416,278
Cash and Cash Equivalents, Beginning of Year	737,176	320,898
Cash and Cash Equivalents, End of Year	$ 66,110	$ 737,176
NON-CASH TRANSACTION:		
Purchases of property, plant, and equipment through accounts payable	$ 72,708	$ -
Non-cash financing transaction to recognize loan forgiveness	$ -	$ 415,000

See notes to financial statements

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

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 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. The College is authorized in Colorado with administrative offices in Colorado Springs, Colorado and Lenexa, Kansas.

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, 2022 and 2021, the College's cash balances exceeded federally insured limits by approximately $0 and $499,000, 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.

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 $26,868 and $38,623, as of June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021. 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. During the year ended June 30, 2022, the College returned approximately $8,000 to the federal government. The College did not return any funds during the year ended June 30, 2021.

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:

Furniture and equipment	5-10 years
Computers and software	5 years

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 $370,549 and $293,909, for the years ended June 30, 2022 and 2021, respectively, in the statements of activities.

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 during the year ended June 30, 2021. The College received official forgiveness during the year ending June 30, 2022.

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.

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 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 years ended June 30, 2022 and 2021, the College expended HEERF funding of $112,729 and $576,195, respectively. The student funding and institutional funding under HEERF have been either awarded to students or spent on allowable costs; therefore, HEERF funds in their entirety were recognized as gift and grant revenue with donor restrictions on the statements of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ADVERTISING
The College uses advertising to recruit prospective students. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2022 and 2021, was $263,700 and $186,242, respectively.

3. LIQUIDITY AND AVAILABLITY 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,	
	2022	2021
Financial assets:		
Cash and cash equivalents	$ 66,110	$ 737,176
Accounts receivable–net	107,857	47,302
Investments	1,497,814	2,075,225
Investments held for endowments	3,638,424	3,962,399
Financial assets, year-end:	5,310,205	6,822,102
Less those unavailable for general expenditure within one year, due to:		
Investments held for endowments, not expected to be appropriated	(2,591,003)	(2,762,060)
Investments held for quasi-endowment	(909,684)	(1,000,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,809,518	$ 3,060,042

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.

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 Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures*, the following table lists investments in group investment funds by major category as of June 30, 2022.

Investment Category	Fair Value Determined Using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Group investment fund	$ 9,347,151	$ -	Daily	Immediate

The following table lists investments in private equity 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	$ 10,861,144	$ -	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, 2022 and 2021, include $371,285 and $365,778, of cash and cash equivalents, respectively, held at Wesleyan Investment Foundation (WIF) which are not subject to fair value measurements.

5. INVESTMENTS:

Operating investments as of June 30, 2022 and 2021 consist of the following:

	June 30, 2022	June 30, 2021
Church of the Nazarene Operating Fund	$ 9,347,151	$ 10,861,144
Wesleyan Investment Foundation	371,285	365,778
Assets held for defined benefit plan	(4,582,198)	(5,189,298)
Assets held for endowment	(3,638,424)	(3,962,399)
	$ 1,497,814	$ 2,075,225

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

5. INVESTMENTS, continued:

Investment and interest income (loss) consists of the following:

	Year Ended June 30, 2022	2021
Non-operating		
Realized and unrealized gain (loss)	$ (253,305)	$ 632,139
Operating		
Realized and unrealized gain (loss)	$ (312,137)	$ 495,035
Interest and dividends	81,917	52,202
Less: investment expenses	(17,421)	(18,045)
	$ (247,641)	$ 529,192

6. PROPERTY, PLANT, AND EQUIPMENT–NET:

Property, plant, and equipment–net consist of:

	June 30, 2022	2021
Computers and software	$ 775,744	$ 681,663
Furniture and equipment	94,560	78,288
	870,304	759,951
Accumulated depreciation	(715,564)	(665,024)
	$ 154,740	$ 94,927

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, 2022 and 2021

7. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued

	Year Ended June 30, 2022	Year Ended June 30, 2021
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 7,450,018	$ 7,495,221
Service cost	107,776	114,348
Interest cost	195,298	189,460
Plan participant contributions	18,853	21,870
Actuarial (gain) loss	(929,207)	33,008
Administrative expenses paid	(75,671)	(73,416)
Benefits paid	(361,058)	(330,473)
Benefit Obligation at End of Year	$ 6,406,009	$ 7,450,018

	Year Ended June 30, 2022	Year Ended June 30, 2021
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ 5,189,298	$ 4,425,201
Actual return on plan assets	(388,577)	1,094,246
Employer contributions	199,353	51,870
Plan participant contributions	18,853	21,870
Administrative expenses paid	(75,671)	(73,416)
Benefits paid	(361,058)	(330,473)
Fair Value of Plan Assets at End of Year	$ 4,582,198	$ 5,189,298

	June 30, 2022	June 30, 2021
Reconciliation of Funded Status:		
Funded status (underfunded)	$ (1,823,811)	$ (2,260,720)
Defined Benefit Pension Liability	$ (1,823,811)	$ (2,260,720)

7. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued

	Year Ended June 30, 2022	Year Ended June 30, 2021
Net Periodic Benefit Cost, included in functional expenses:		
Service cost	$ 107,776	$ 114,348
Net Periodic Pension Cost, other than service cost, included in non-operating activities:		
Interest cost	195,298	189,460
Expected return on plan assets	(349,758)	(295,880)
Net loss amortization	60,887	348,432
Net periodic pension cost other than service cost	(93,573)	242,012
Net Periodic Benefit Cost	$ 14,203	$ 356,360

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

	Year Ended June 30, 2022	Year Ended June 30, 2021
Amortization of net gain to net periodic benefit cost	$ 190,872	$ 765,398
Amortization of prior service cost to net periodic benefit cost	(60,887)	(348,432)
	$ 129,985	$ 416,966

Weighted-average assumptions and method disclosures include:

	Year Ended June 30, 2022	Year Ended June 30, 2021
Discount rate	4.80%	2.70%
Expected return on plan assets	5.00%	7.00%
Rate of compensation increase	2.50%	2.50%
Amortization method	Straight-line	Straight-line

7. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued
Expected future benefit payments are:

Year Ending June 30,		
2023	$	463,409
2024		501,660
2025		532,293
2026		551,951
2026		547,733
Thereafter		2,514,532
	$	5,111,578

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 $58,880 and $64,081, for the years ended June 30, 2022 and 2021, 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 matured in September 2021 and has not been renewed.

9. RELATED PARTY TRANSACTIONS:
The College received contributions from the Church for education services of $825,852 and $855,547, for the years ended June 30, 2022 and 2021, respectively. These contributions represent approximately 29% and 17%, of total support and revenue received during the years ended June 30, 2022 and 2021, respectively.

The College received funds from various individual Nazarene congregations as an annual offering. For the years ended June 30, 2022 and 2021, the annual offerings totaled $113,682 and $113,727, 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, for both the years ended June 30, 2022 and 2021.

During the year ended June 30, 2022, the College received contributions from the Church for capital purchases of $102,255.

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, 2022 and 2021.

The following tables presents the functional allocation of expenses:

	For the Year Ended June 30, 2022					
	Program Services			Support Activities		
	Instruction	Academic Support	Student Services	General & Administrative	Fund-raising	Total
Salaries and benefits	$ 982,093	$ 255,126	$ 496,508	$ 696,872	$ 139,816	$ 2,570,415
Professional services	16,876	171,689	55,012	110,217	16,088	369,882
Advertising/events	88,465	1,133	91,733	41,162	41,207	263,700
Supplies & other	17,391	72,888	52,069	81,995	22,537	246,880
Occupancy	31,047	40,103	40,103	33,553	7,621	152,427
Depreciation	7,682	15,364	15,364	10,108	2,022	50,540
	$ 1,143,554	$ 556,303	$ 750,789	$ 973,907	$ 229,291	$ 3,653,844
Plus net periodic pension cost in non-operating activities	93,573	-	-	-	-	93,573
Total reconciled expenses	$ 1,237,127	$ 556,303	$ 750,789	$ 973,907	$ 229,291	$ 3,747,417

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

10. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

	For the Year Ended June 30, 2021					
	Program Services			Support Activities		
	Instruction	Academic Support	Student Services	General & Administrative	Fund-raising	Total
Salaries and benefits	$ 1,253,283	$ 179,392	$ 399,564	$ 586,541	$ 121,400	$ 2,540,180
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
Supplies & other	11,278	64,970	26,635	20,339	3,984	127,206
Occupancy	34,265	43,958	43,958	36,851	8,339	167,371
Depreciation	6,495	12,988	12,988	8,545	1,709	42,725
	$ 1,375,093	$ 461,308	$ 600,863	$ 783,462	$ 170,480	$ 3,391,206
Less net periodic pension cost in non-operating activities	(242,012)	-	-	-	-	(242,012)
Total reconciled expenses	$ 1,133,081	$ 461,308	$ 600,863	$ 783,462	$ 170,480	$ 3,149,194

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

11. NET ASSETS WITH DONOR RESTRICITONS:

Net assets with donor restrictions consist of:

	June 30, 2022	June 30, 2021
Restricted by purpose or time:		
Scholarships	$ 110,512	$ 99,798
Benevolence	17,587	17,587
	128,099	117,385
Undistributed endowment earnings:		
Scholarships	460,736	709,292
Lectureship	150,354	147,428
Other	74,221	83,250
	685,311	939,970
	813,410	1,057,355
Restricted in perpetuity:		
Assets held for endowment fund	2,043,429	2,022,429
	$ 2,856,839	$ 3,079,784

12. ENDOWMENT FUNDS AND RELATED ASSETS:

Assets held for endowment fund consist of:

	June 30, 2022	June 30, 2021
Church of the Nazarene Operating Fund	$ 3,267,139	$ 3,596,621
Wesleyan Investment Fund	371,285	365,778
	$ 3,638,424	$ 3,962,399

Permanently restricted net assets consist of:

	2022	2021
Scholarships	$ 1,219,718	$ 1,198,718
Pastoral care	517,864	517,864
Other	305,847	305,847
	$ 2,043,429	$ 2,022,429

12. ENDOWMENT FUNDS AND RELATED ASSETS, continued:

The endowment net asset composition by type consists of:

	June 30, 2022	June 30, 2021
Board-designated endowment funds:		
Quasi-endowment	$ 909,684	$ 1,000,000
Donor restricted endowment funds:		
Restricted by purpose or time	685,311	939,970
Restricted in perpetuity	2,043,429	2,022,429
	$ 3,638,424	$ 3,962,399

Changes in endowment net assets for the year ended June 30, 2022:

		With Donor Restrictions		
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains	Total
Endowment net assets, beginning of year	$ 1,000,000	$ 2,022,429	$ 939,970	$ 3,962,399
Investment income (loss)	(90,316)	-	(162,989)	(253,305)
Contributions	-	21,000	-	21,000
Appropriated for expenditure	-	-	(91,670)	(91,670)
Endowment net assets, end of year	$ 909,684	$ 2,043,429	$ 685,311	$ 3,638,424

12. ENDOWMENT FUNDS AND RELATED ASSETS, continued:

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

		With Donor Restrictions		
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains	Total
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
Appropriated for expenditure	(223,697)	-	(171,499)	(395,196)
Endowment net assets, end of year	$ 1,000,000	$ 2,022,429	$ 939,970	$ 3,962,399

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 GAAP, deficiencies of this nature existed in two donor-restricted endowment funds as of June 30, 2022. The donor-restricted endowment funds together have an original gift value of $527,864 a current fair value of $480,547, with a deficiency of $47,317 as of June 30, 2022. There were no such deficiencies as of June 30, 2021.

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, 2022 and 2021, was $263,360 and $256,491, respectively. Future minimum payments related to operating leases are:

Year Ending June 30,	
2023	$ 37,802
2024	38,013
2025	6,335
	$ 82,150

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. SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 21, 2022, which is the date the financial statements were available to be issued.

FEDERAL AWARDS

CAPINCROUSE LLP

Celebrating 50 YEARS OF EMPOWERING NONPROFITS

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, 2022 and 2021, and our report thereon dated September 21, 2022, 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 24, 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 34-37 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
September 21, 2022

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NAZARENE BIBLE COLLEGE

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

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			$ -	$ 674,844
Federal Pell Grants	84.063			-	404,763
Federal Supplemental Educational Opportunity Grant Program	84.007			-	25,101
Federal Perkins Loan Program (Note 5)	84.038			-	35,493
Total Student Financial Assistance Cluster					1,140,201
COVID-19 Education Stabilization Fund:					
COVID-19 HEERF-Student Aid Portion	84.425E	P425E205834		-	112,729
COVID-19 HEERF-Institutional Portion	84.425F	P425F205145		-	1,438
Total COVID-19 Education Stabilization Fund					114,167
Total U.S. Department of Education					1,254,368
Total Expenditures of Federal Awards					$ 1,254,368

See notes to schedule of expenditures of federal awards

NAZARENE BIBLE COLLEGE

Notes to Schedule of Expenditures of Federal Awards

June 30, 2022

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 (the College) under programs of the federal government for the year ending June 30, 2022. The information in the schedule is presented in accordance with the requirements of the 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	$	1,254,368
Less:		
Federal Direct Student Loan Program	$	(674,844)
Federal Pell Grants		(404,763)
Perkins loan program		(35,493)
Government grants included in gifts and grants per statement of activities	$	139,268

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, loans, or loan guarantees.

NAZARENE BIBLE COLLEGE

Notes to Schedule of Expenditures of Federal Awards

June 30, 2022

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, 2021	$	35,493
Outstanding loan balance at June 30, 2022	$	2,509

Schools have the option of continuing to collect on outstanding loan balances or can voluntarily liquidate the program. The College is required to periodically return excess cash on hand from the program to the Department of Education. The College assigned uncollectable loans during the year ended June 30, 2022 and plans to begin the Perkins liquidation process in fiscal year 2023.

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 (the College), which comprise the statement of financial position as of June 30, 2022, and the related statements 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 September 21, 2022.

Report on 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 consolidated 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 were not identified.

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Board of Trustees
Nazarene Bible College
Lenexa, Kansas

Report on 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
September 21, 2022

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**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

Opinion on Each Major Federal Program

We have audited Nazarene Bible College's (the College) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

Report on 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 *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
September 21, 2022

NAZARENE BIBLE COLLEGE

Schedule of Findings and Questioned Costs

June 30, 2022

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	Name of Federal Program or Cluster
84.268, 84.063, 84.007 and 84.038	Student Financial Assistance

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, 2022

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, 2022

	Primary Reserve Ratio:				
		Expendable Net Assets:			
1	Statements of Financial Position - Net assets without donor restrictions, page 3	**Net assets without donor restrictions**		$	536,275
2	Statements of Financial Position - Net assets with donor restrictions, page 3	**Net assets with donor restrictions**		$	2,856,839
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**	154,740		
6	Notes to Financial Responsibility Supplemental Schedule, Property, plant and equipment, net, Line 1c	Property, plant and equipment pre-implementation		$	28,827
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 without outstanding debt for original purchase		$	125,913
9	None	Construction in progress		$	-
10	None - ASU 2016-02 has not been implemented as of June 30, 2022	**Lease right-of-use asset, net**	-		
11	None - ASU 2016-02 has not been implemented as of June 30, 2022	Lease right-of-use asset, pre-implementation		$	-
12	None - ASU 2016-02 has not been implemented as of June 30, 2022	Lease right-of-use asset, post-implementation		$	-
13	None	Intangible assets		$	-

NAZARENE BIBLE COLLEGE

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

14	Statements of Financial Position - Defined benefit pension liability, page 3	Post-employment and pension liabilities		$	1,823,811
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, 2022	**Lease right-of-use asset liability**	-		
20	None - ASU 2016-02 has not been implemented as of June 30, 2022	Pre-implementation right-of-use asset liability		$	-
21	None - ASU 2016-02 has not been implemented as of June 30, 2022	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		$	2,043,429
		Total Expenses and Losses:			
27	Statements of Activities - Total Operating Expenses, (Total from Statement of Activities prior to adjustments), page 4	Total expenses without donor restrictions - taken directly from Statement of Activities	3,653,844		
28	Statements of Activities - Total Operating Investment Losses, page 4	Investment and interest loss	247,641		

NAZARENE BIBLE COLLEGE

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

30	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 loss on endowment	90,316		
31	Statements of Activities - Total Expenses, net periodic pension cost other than service cost	Net Assets Without Donor Restrictions - Non-operating Net Periodic Pension Cost other than Service Cost	93,573		
		Total Expenses and Losses		$	4,085,374
	Equity Ratio:				
		Modified Net Assets:			
32	Statement of Financial Position - Net Assets without Donor Restrictions, page 3.	**Net assets without donor restrictions**		$	536,275
33	Statement of Financial Position - Total Net Assets with Donor Restriction, page 3.	**Net assets with donor restrictions**		$	2,856,839
34	Intangible Assets - (None)	**Intangible assets**			-
35	Goodwill - (None)	**Intangible assets**			-
36	None	**Secured and Unsecured related party receivables**	-		
37	None	Unsecured related party receivables			-
38		**Modified Assets:**			
39	Statements of Financial Position - Total assets, page 3	Total assets		$	5,576,967
40	None - ASU 2016-02 has not been implemented as of June 30, 2022	Lease right-of-use asset pre-implementation			-
41	None - ASU 2016-02 has not been implemented as of June 30, 2022	Pre-implementation right-of-use asset liability			-
42	Goodwill (None)	Intangible assets			-
43	None	Secured and Unsecured related party receivables	-		
44	None	Unsecured related party receivables			-

NAZARENE BIBLE COLLEGE

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

	Net Income Ratio:				
45	Statements of Activities - Change in Net Assets Without Donor Restrictions, page 5	**Change in Net Assets Without Donor Restrictions**		$	(861,243)
46	Statements of Activities - Total Operating Support and Revenue, page 4	Net Assets Without Donor Restrictions - Operating Support and Revenue	2,500,002		
47	Statements of Activities - Net Assets Released from Purpose and Time Restrictions, page 4	Net Assets Without Donor Restrictions - Operating and non-operating purpose and time releases	346,503		
48	Statements of Activities - Total Operating Investment Losses, page 4	Investment and interest loss	247,641		
49	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	129,985		
50					
		Total Revenues and Gains		$	3,224,131

NAZARENE BIBLE COLLEGE

Notes to Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

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, 2021 financial statement)	$	60,102
	b. Less subsequent (fiscal year-end June 30, 2022) depreciation and disposals		(31,275)
	c. Balance pre-implementation property, plant and equipment, net as of June 30, 2022		28,827
2	Post-implementation property, plant and equipment, net, acquired without debt:		
	a. Beginning post-implementation property, plant, and equipment, net, as of June 30, 2021		34,825
	b. Property, plant, and equipment acquired without use of debt subsequent to June 30, 2022		110,353
	c. Less subsequent (fiscal year-end June 30, 2022) depreciation and disposals		(19,265)
	d. Ending post-implementation property, plant, and equipment, net, as of June 30, 2022		125,913
3	Total Property, Plant and Equipment, net - June 30, 2022	$	154,740

NAZARENE BIBLE COLLEGE

Auditee Summary Schedule of Prior Audit Findings

June 30, 2022

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.