



NAZARENE BIBLE COLLEGE

Financial Statements
With Independent Auditors' Report

June 30, 2023 and 2022

NAZARENE BIBLE COLLEGE

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

Opinion

We have audited the accompanying financial statements of Nazarene Bible College, which comprise the statements of financial position as of June 30, 2023 and 2022, 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 referred to above present fairly, in all material respects, the financial position of Nazarene Bible College as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *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.

Emphasis of Matter

Nazarene Bible College has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases*, as described in Note 2. This had a material effect on the presentation of the June 30, 2023 financial statements. Our opinion was not modified with respect to this matter.

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.

Board of Trustees
Nazarene Bible College
Lenexa, Kansas

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Capin Crouse LLP

Colorado Springs, Colorado
September 15, 2023

NAZARENE BIBLE COLLEGE

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 90,035	\$ 66,110
Accounts receivable–net	12,838	107,857
Prepaid expenses and other assets	134,366	109,513
Perkins loan receivable	-	2,509
Investments	952,862	1,497,814
	1,190,101	1,783,803
Operating lease–right-of-use assets	260,953	-
Property, plant, and equipment–net	247,845	154,740
Investments held for endowments	3,478,766	3,638,424
	\$ 5,177,665	\$ 5,576,967
Total Assets	\$ 5,177,665	\$ 5,576,967
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 160,061	\$ 225,723
Federal student loan funds	576	2,674
Deferred revenue	94,721	131,645
	255,358	360,042
Operating lease obligations	270,638	-
Defined benefit pension liability	1,779,398	1,823,811
Total liabilities	2,305,394	2,183,853
Net assets:		
Without donor restrictions:		
General operations	(733,700)	(373,409)
Board-designated for quasi-endowment	769,864	909,684
	36,164	536,275
With donor restrictions:		
Restricted by purpose or time	776,553	813,410
Restricted in perpetuity	2,059,554	2,043,429
Total net assets	2,872,271	3,393,114
Total Liabilities and Net Assets	\$ 5,177,665	\$ 5,576,967

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Activities

	Year Ended June 30,							
	2023				2022			
	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	\$ 1,513,983	\$ -	\$ -	\$ 1,513,983	\$ 1,609,691	\$ -	\$ -	\$ 1,609,691
Gifts and grants	1,330,675	74,720	-	1,405,395	1,084,443	265,547	-	1,349,990
Investment and interest income (loss)	82,891	-	-	82,891	(247,641)	-	-	(247,641)
Auxiliary enterprises and other	40,878	-	-	40,878	53,509	-	-	53,509
Total Support and Revenue	2,968,427	74,720	-	3,043,147	2,500,002	265,547	-	2,765,549
NET ASSETS RELEASED FROM:								
Purpose and time restrictions	235,946	(235,946)	-	-	346,503	(346,503)	-	-
EXPENSES:								
Program services:								
Instruction	1,356,236	-	-	1,356,236	1,143,554	-	-	1,143,554
Academic support	612,967	-	-	612,967	556,303	-	-	556,303
Student services	678,564	-	-	678,564	750,789	-	-	750,789
	2,647,767	-	-	2,647,767	2,450,646	-	-	2,450,646
Supporting activities:								
General and administrative	1,064,184	-	-	1,064,184	973,907	-	-	973,907
Fund-raising	291,691	-	-	291,691	229,291	-	-	229,291
	1,355,875	-	-	1,355,875	1,203,198	-	-	1,203,198
Total Expenses	4,003,642	-	-	4,003,642	3,653,844	-	-	3,653,844
Change in Net Assets from								
Operating Activities	(799,269)	(161,226)	-	(960,495)	(807,339)	(80,956)	-	(888,295)

(continued)

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Activities

(continued)

	Year Ended June 30,							
	2023				2022			
	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	-	-	16,125	16,125	-	-	21,000	21,000
Investment gain (loss) on endowments	64,329	124,369	-	188,698	(90,316)	(162,989)	-	(253,305)
Net periodic pension cost other than service cost	95,000	-	-	95,000	(93,573)	-	-	(93,573)
Pension-related changes other than net periodic pension cost	139,829	-	-	139,829	129,985	-	-	129,985
Change in Net Assets	(500,111)	(36,857)	16,125	(520,843)	(861,243)	(243,945)	21,000	(1,084,188)
Net Assets, Beginning of Year	536,275	813,410	2,043,429	3,393,114	1,397,518	1,057,355	2,022,429	4,477,302
Net Assets, End of Year	<u>\$ 36,164</u>	<u>\$ 776,553</u>	<u>\$ 2,059,554</u>	<u>\$ 2,872,271</u>	<u>\$ 536,275</u>	<u>\$ 813,410</u>	<u>\$ 2,043,429</u>	<u>\$ 3,393,114</u>

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (520,843)	\$ (1,084,188)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	63,135	50,540
Reinvested dividends	(97,761)	(81,917)
Contributions restricted for endowment fund	(16,125)	(21,000)
Net unrealized and realized loss (gain) on investments	(173,736)	582,863
Loss on disposal of property, plant, and equipment	1,608	-
Change in defined benefit pension liability	(44,413)	(436,909)
Non-cash effect of change in accounting principle	9,685	-
Change in operating assets and liabilities:		
Accounts receivable-net	95,019	(60,555)
Prepaid expenses and other assets	(24,853)	(47,402)
Accounts payable and accrued liabilities	7,046	54,693
Deferred revenue	(36,924)	(18,650)
Net Cash Used by Operating Activities	<u>(738,162)</u>	<u>(1,062,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(230,556)	(37,645)
Purchases of investments	(350,000)	-
Proceeds from sales of investments	1,326,107	400,440
Net Perkins loans and federal student loan transactions	411	7,664
Net Cash Provided by Investing Activities	<u>745,962</u>	<u>370,459</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowment fund	16,125	21,000
Net Cash Provided by Financing Activities	<u>16,125</u>	<u>21,000</u>
Net Change in Cash and Cash Equivalents	23,925	(671,066)
Cash and Cash Equivalents, Beginning of Year	<u>66,110</u>	<u>737,176</u>
Cash and Cash Equivalents, End of Year	<u>\$ 90,035</u>	<u>\$ 66,110</u>
NON-CASH TRANSACTIONS:		
Purchases of property, plant, and equipment through accounts payable	<u>\$ -</u>	<u>\$ 72,708</u>
Right-of-use assets obtained in exchange for operating lease obligations	<u>\$ 307,744</u>	<u>\$ -</u>

See notes to financial statements

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

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 laws. 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, 2023 and 2022, the College's cash balances did not exceed federally insured limits.

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 \$27,251 and \$26,868, as of June 30, 2023 and 2022, 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, 2023 and 2022, there were no accounts that were accruing interest.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS AND INVESTMENTS HELD FOR ENDOWMENTS

Investments and investments held for endowments consist of a group investment fund held at Northern Trust (Northern), UMB Financial Institution (UMB), 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. Investments held at WIF and UMB consist of cash, cash equivalents, and certificates of deposits with original maturities of greater than ninety days and are held at cost plus accrued interest. Earnings are included within investment and interest income on the statements of activities.

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. 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 years ended June 30, 2023 and 2022, the College returned approximately \$3,000 and \$8,000 to the federal government. As of June 30, 2023, there are no longer any loans outstanding. The college is scheduled to complete the liquidation process for the Perkins Loan Program in the fiscal year 2023-2024.

OPERATING LEASE—RIGHT OF USE ASSETS AND OBLIGATIONS

The College adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of July 1, 2022, which resulted in the recognition of operating lease right-of-use assets totaling \$260,953 as of June 30, 2023, as well as operating lease obligations totaling \$270,638. The College elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2022 without restating any prior-year amounts. The additional lease disclosures can be found in Note 6.

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

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

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 both the original value of the gifts donated to the endowment, and the original value of the subsequent gifts to the endowment. Therefore, 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.

During the year ended June 30, 2023, the College approved a policy of appropriating for distribution 8 percent of a three year rolling average. During the year ended June 30, 2022, the College had a policy of appropriating for distribution 5 percent of the prior year fiscal year end fund balance, except that disbursements shall not exceed earnings. In establishing the spending 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 \$174,378 and \$370,549, for the years ended June 30, 2023 and 2022, respectively, in the statements of activities.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

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.

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 year ended June 30, 2022, the College expended HEERF funding of \$112,729. 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. There was no HEERF activity during the year ended June 30, 2023.

ADVERTISING

The College uses advertising to recruit prospective students. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2023 and 2022, was \$294,829 and \$263,700, respectively.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the Accounting Standards Codification (ASC)). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. One of the College's contracts contains the right to control the use of property and is therefore considered a lease. The College elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts. The college also elected to combine lease and nonlease components. The College also elected to exclude leases with terms of less than 12 months. The additional lease disclosures can be found in Note 6. The non-cash effect of the change in accounting principle to the opening balance of net assets totaled \$9,685 and was adjusted through occupancy on the statements of activities and statements of functional expenses.

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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 90,035	\$ 66,110
Accounts receivable—net	12,838	107,857
Investments	952,862	1,497,814
Investments held for endowments	3,478,766	3,638,424
Financial assets, year-end:	<u>4,534,501</u>	<u>5,310,205</u>
Less those unavailable for general expenditure within one year, due to:		
Investments held for endowments, not expected to be appropriated	(2,441,044)	(2,591,003)
Investments held for quasi-endowment	<u>(769,864)</u>	<u>(909,684)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,323,593</u>	<u>\$ 1,809,518</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS, continued:

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. It is also noted that the College has a line of credit available to draw on, see disclosure in Note 9.

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, 2023.

<u>Investment Category</u>	<u>Fair Value Determined Using NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Group investment fund	<u>\$ 8,438,386</u>	<u>\$ -</u>	Daily	Immediate

The following table lists investments in private equity funds by major category as of June 30, 2022.

<u>Investment Category</u>	<u>Fair Value Determined Using NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Group investment fund	<u>\$ 9,347,151</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, 2023 and 2022, include \$350,000 and \$371,285, respectively, of certificates of deposit and cash and cash equivalents held at a different financial institution which are not subject to fair value measurements.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

5. INVESTMENTS:

Operating investments consist of the following:

	June 30,	
	2023	2022
Church of the Nazarene Operating Fund, at net asset value	\$ 8,438,386	\$ 9,347,151
Certificate of deposit, at cost	350,000	-
Cash and cash equivalents	-	371,285
Assets held for defined benefit plan	(4,356,758)	(4,582,198)
Assets held for endowment	(3,478,766)	(3,638,424)
	<u>\$ 952,862</u>	<u>\$ 1,497,814</u>

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

	Year Ended June 30,	
	2023	2022
<u>Non-operating</u>		
Realized and unrealized gain (loss)	<u>\$ 188,698</u>	<u>\$ (253,305)</u>
<u>Operating</u>		
Realized and unrealized gain (loss)	\$ (5,328)	\$ (312,137)
Interest and dividends	97,853	81,917
Less: investment expenses	(9,634)	(17,421)
	<u>\$ 82,891</u>	<u>\$ (247,641)</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

6. OPERATING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The College leases office space under a noncancelable operating lease. This lease had an original maturity date in 2024 that contains an option for renewal for an additional 4 years expiring in 2028. As of June 30, 2023, this additional term is included in the operating lease calculations as management expects to exercise this extension. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term as of adoption date. Monthly payments under this lease total \$4,677, with a discount rate of 2.92%.

	<u>June 30, 2023</u>
Operating lease–right-of-use assets	\$ 260,953
Operating lease obligations	\$ 270,638
Operating lease costs	\$ 55,449
Short-term lease costs	\$ 54,959
Weighted-average discount rate	2.92%
Weighted-average remaining lease term	5 years

Future minimum lease payments required under operating and finance leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 57,354
2025	57,354
2026	57,354
2027	57,354
2028	57,354
Thereafter	4,780
	<u>291,550</u>
Less imputed interest	<u>(20,912)</u>
	<u>\$ 270,638</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

7. PROPERTY, PLANT, AND EQUIPMENT–NET:

Property, plant, and equipment–net consist of:

	June 30,	
	2023	2022
Computers and software	\$ 924,920	\$ 775,744
Furniture and equipment	94,560	94,560
	1,019,480	870,304
Accumulated depreciation	(771,635)	(715,564)
	<u>\$ 247,845</u>	<u>\$ 154,740</u>

8. 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:

	Year Ended June 30,	
	2023	2022
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 6,406,009	\$ 7,450,018
Service cost	71,434	107,776
Interest cost	296,367	195,298
Plan participant contributions	19,102	18,853
Actuarial gain	(296,061)	(929,207)
Administrative expenses paid	-	(75,671)
Benefits paid	(360,695)	(361,058)
	<u>\$ 6,136,156</u>	<u>\$ 6,406,009</u>
Benefit Obligation at End of Year		

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

8. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued

	<u>Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Change in Plan Assets:		
Fair value of plan assets at beginning of year	\$ 4,582,198	\$ 5,189,298
Actual return on plan assets	79,451	(388,577)
Employer contributions	36,702	199,353
Plan participant contributions	19,102	18,853
Administrative expenses paid	-	(75,671)
Benefits paid	<u>(360,695)</u>	<u>(361,058)</u>
Fair Value of Plan Assets at End of Year	<u>\$ 4,356,758</u>	<u>\$ 4,582,198</u>
	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Reconciliation of Funded Status:		
Funded status (underfunded)	<u>\$ (1,779,398)</u>	<u>\$ (1,823,811)</u>
Defined Benefit Pension Liability	<u>\$ (1,779,398)</u>	<u>\$ (1,823,811)</u>
	<u>Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Net Periodic Benefit Cost, included in functional expenses:		
Service cost	<u>\$ 71,434</u>	<u>\$ 107,776</u>
Net Periodic Pension Cost, other than service cost, included in non-operating activities:		
Interest cost	296,367	195,298
Expected return on plan assets	(218,525)	(349,758)
Net loss amortization	<u>17,158</u>	<u>60,887</u>
Net periodic pension cost other than service cost	<u>95,000</u>	<u>(93,573)</u>
Net Periodic Benefit Cost	<u>\$ 166,434</u>	<u>\$ 14,203</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

8. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued

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

	Year Ended June 30,	
	2023	2022
Amortization of net gain to net periodic benefit cost	\$ 156,987	\$ 190,872
Amortization of prior service cost to net periodic benefit cost	(17,158)	(60,887)
	\$ 139,829	\$ 129,985

Weighted-average assumptions and method disclosures include:

	Year Ended June 30,	
	2023	2022
Discount rate	5.35%	4.80%
Expected return on plan assets	5.00%	5.00%
Rate of compensation increase	2.50%	2.50%
Amortization method	Straight-line	Straight-line

Expected future benefit payments are:

Year Ending June 30,	
2024	\$ 486,974
2025	544,483
2026	564,284
2027	559,981
2026	546,379
Thereafter	2,494,391
	\$ 5,196,492

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

8. RETIREMENT PLANS, continued:

DEFINED CONTRIBUTION PLAN

On January 1, 1996, the College's employees also became eligible to participate in the Church's defined contribution plan. Under this tax-sheltered 403(b)(9) annuity plan, participants can contribute pre-tax earnings toward their retirement. The College then contributes a matching portion of up to 3% of the employee compensation. Employees hired prior to May 1, 2017, are grandfathered in 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. During the year ended June 30, 2023, the College suspended their employer match. Total contributions by the College amounted to \$0 and \$58,880, for the years ended June 30, 2023 and 2022, respectively.

9. LINE OF CREDIT:

In February 2023, the College obtained a revolving line of credit of \$350,000 with a variable interest rate which was 8.5% as of June 30, 2023, held at a financial institution, secured by investments. The line of credit matures in February 2024. As of June 30, 2023 and 2022 the line of credit was not drawn upon.

10. RELATED PARTY TRANSACTIONS:

The College received contributions from the Church for education services of \$825,854 and \$825,852 for the years ended June 30, 2023 and 2022, respectively. These contributions represent approximately 30% and 29%, of total support and revenue received during the years ended June 30, 2023 and 2022, respectively.

The College received funds from various individual Nazarene congregations as an annual offering. For the years ended June 30, 2023 and 2022, the annual offerings totaled \$172,437 and \$113,682, respectively.

During the year ended June 30, 2018, the College entered into an operating lease with the Church for office space. Short-term lease expense totaled \$54,959 and \$60,480, for the years ended June 30, 2023 and 2022, respectively.

During the year ended June 30, 2023 and 2022, the College received contributions from the Church for capital purchases of \$157,848 and \$102,255.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

11. 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, 2023 and 2022.

The following tables presents the functional allocation of expenses:

	For the Year Ended June 30, 2023					
	Program Services			Support Activities		Total
	Instruction	Academic Support	Student Services	General and Administrative	Fundraising	
Salaries and benefits	\$ 1,188,126	\$ 306,122	\$ 443,118	\$ 791,517	\$ 166,854	\$ 2,895,737
Professional services	16,577	183,031	51,949	114,318	16,474	382,349
Advertising/events	88,605	2,566	80,264	45,965	77,429	294,829
Supplies & other	17,491	53,761	35,746	59,544	19,332	185,874
Occupancy	35,840	48,294	48,294	40,213	9,077	181,718
Depreciation	9,597	19,193	19,193	12,627	2,525	63,135
	<u>\$ 1,356,236</u>	<u>\$ 612,967</u>	<u>\$ 678,564</u>	<u>\$ 1,064,184</u>	<u>\$ 291,691</u>	<u>\$ 4,003,642</u>
Less net periodic pension cost in non-operating activities	<u>(95,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,000)</u>
Total reconciled expenses	<u>\$ 1,261,236</u>	<u>\$ 612,967</u>	<u>\$ 678,564</u>	<u>\$ 1,064,184</u>	<u>\$ 291,691</u>	<u>\$ 3,908,642</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

11. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

	For the Year Ended June 30, 2022					
	Program Services			Support Activities		Total
	Instruction	Academic Support	Student Services	General and Administrative	Fundraising	
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
	<u>\$ 1,143,554</u>	<u>\$ 556,303</u>	<u>\$ 750,789</u>	<u>\$ 973,907</u>	<u>\$ 229,291</u>	<u>\$ 3,653,844</u>
Plus net periodic pension cost in non-operating activities	93,573	-	-	-	-	93,573
Total reconciled expenses	<u>\$ 1,237,127</u>	<u>\$ 556,303</u>	<u>\$ 750,789</u>	<u>\$ 973,907</u>	<u>\$ 229,291</u>	<u>\$ 3,747,417</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

12. NET ASSETS WITH DONOR RESTRICTICIONS:

Net assets with donor restrictions consist of:

	June 30,	
	2023	2022
Restricted by purpose or time:		
Scholarships	\$ 109,619	\$ 110,512
Benevolence	17,587	17,587
	<u>127,206</u>	<u>128,099</u>
Undistributed endowment earnings:		
Scholarships	469,563	460,736
Lectureship	139,173	150,354
Other	40,611	74,221
	<u>649,347</u>	<u>685,311</u>
	776,553	813,410
Restricted in perpetuity:		
Assets held for endowment fund	<u>2,059,554</u>	<u>2,043,429</u>
	<u>\$ 2,836,107</u>	<u>\$ 2,856,839</u>

13. ENDOWMENT FUNDS AND RELATED ASSETS:

Assets held for endowment fund consist of:

	June 30,	
	2023	2022
Church of the Nazarene Operating Fund	\$ 3,128,766	\$ 3,267,139
Certificate of deposit	350,000	-
Wesleyan Investment Fund	-	371,285
	<u>\$ 3,478,766</u>	<u>\$ 3,638,424</u>

Permanently restricted net assets consist of:

Scholarships	\$ 1,235,843	\$ 1,219,718
Pastoral care	517,864	517,864
Other	305,847	305,847
	<u>\$ 2,059,554</u>	<u>\$ 2,043,429</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

13. ENDOWMENT FUNDS AND RELATED ASSETS, continued:

The endowment net asset composition by type consists of:

	June 30,	
	2023	2022
Board-designated endowment funds:		
Quasi-endowment	\$ 769,864	\$ 909,684
Donor restricted endowment funds:		
Restricted by purpose or time	649,348	685,311
Restricted in perpetuity	2,059,554	2,043,429
	<u>\$ 3,478,766</u>	<u>\$ 3,638,424</u>

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gains	
Endowment net assets, beginning of year	\$ 909,684	\$ 2,043,429	\$ 685,311	\$ 3,638,424
Investment income	64,329	-	124,369	188,698
Contributions	-	16,125	-	16,125
Appropriated for expenditure	(204,149)	-	(160,332)	(364,481)
Endowment net assets, end of year	<u>\$ 769,864</u>	<u>\$ 2,059,554</u>	<u>\$ 649,348</u>	<u>\$ 3,478,766</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

13. ENDOWMENT FUNDS AND RELATED ASSETS, continued:

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gains	
Endowment net assets, beginning of year	\$ 1,000,000	\$ 2,022,429	\$ 939,970	\$ 3,962,399
Investment 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	<u>\$ 909,684</u>	<u>\$ 2,043,429</u>	<u>\$ 685,311</u>	<u>\$ 3,638,424</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature existed in two and one donor-restricted endowment funds as of June 30, 2023 and 2022, respectively. The donor-restricted endowment funds have original gift values of \$517,864 and \$527,864, respectively, current fair values of \$502,258 and \$480,547, respectively, with deficiencies of \$15,606 and \$47,317 as of June 30, 2023 and 2022, respectively.

14. OPERATING LEASES:

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, the College was applying Topic 840 in relation to operating leases. For the comparable period the College had operating lease expenses of \$263,360 during the year ended June 30, 2022.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2023 and 2022

15. 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 and losses 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.

16. SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 15, 2023, which is the date the financial statements were available to be issued.