



NAZARENE BIBLE COLLEGE

Financial Statements
With Independent Auditors' Report

June 30, 2024 and 2023

NAZARENE BIBLE COLLEGE

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Nazarene Bible College
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of Nazarene Bible College, which comprise the statements of financial position as of June 30, 2024 and 2023, 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, 2024 and 2023, 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 of 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

As more fully discussed in Note 14 to the financial statements, the Organization has suffered negative changes in net assets and has a net assets without donor restrictions deficit. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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. Refer to Note 14 as to management's plans.

Board of Trustees
Nazarene Bible College
Colorado Springs, Colorado

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 LLC

Colorado Springs, Colorado
March 14, 2025

NAZARENE BIBLE COLLEGE

Statements of Financial Position

	June 30,	
	2024	2023
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 115,433	\$ 90,035
Accounts receivable (net of allowance of \$19,869 and \$27,251)	33,308	12,838
Prepaid expenses and other assets	119,398	134,366
Investments	748,348	952,862
	<u>1,016,487</u>	<u>1,190,101</u>
Operating lease–right-of-use assets	30,096	260,953
Property, plant, and equipment–net	166,458	247,845
Investments held for endowments	3,039,451	3,478,766
	<u>3,039,451</u>	<u>3,478,766</u>
Total Assets	<u><u>\$ 4,252,492</u></u>	<u><u>\$ 5,177,665</u></u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 185,094	\$ 160,061
Federal student loan funds	-	576
Deferred revenue	80,974	94,721
Line of credit	175,000	-
	<u>441,068</u>	<u>255,358</u>
Operating lease obligations	30,096	270,638
Defined benefit pension liability	2,353,833	1,779,398
Total liabilities	<u>2,824,997</u>	<u>2,305,394</u>
Net assets (deficit):		
Without donor restrictions:		
General operations	(2,212,184)	(733,700)
Board-designated for quasi-endowment	810,823	769,864
	<u>(1,401,361)</u>	<u>36,164</u>
With donor restrictions:		
Restricted by purpose or time	756,978	776,553
Restricted in perpetuity	2,071,878	2,059,554
	<u>2,828,856</u>	<u>2,836,107</u>
Total net assets	<u>1,427,495</u>	<u>2,872,271</u>
Total Liabilities and Net Assets	<u><u>\$ 4,252,492</u></u>	<u><u>\$ 5,177,665</u></u>

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Activities

	Year Ended June 30,							
	2024				2023			
	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	\$ 1,262,669	\$ -	\$ -	\$ 1,262,669	\$ 1,513,983	\$ -	\$ -	\$ 1,513,983
Gifts and grants	1,194,498	144,143	-	1,338,641	1,330,675	74,720	-	1,405,395
Investment and interest income	106,000	-	-	106,000	82,891	-	-	82,891
Book sales and other	36,238	-	-	36,238	40,878	-	-	40,878
Total Support and Revenue	2,599,405	144,143	-	2,743,548	2,968,427	74,720	-	3,043,147
NET ASSETS RELEASED FROM:								
Purpose and time restrictions	314,989	(314,989)	-	-	235,946	(235,946)	-	-
EXPENSES:								
Program services:								
Instruction	1,090,311	-	-	1,090,311	1,166,236	-	-	1,166,236
Academic support	646,480	-	-	646,480	612,967	-	-	612,967
Student services	687,017	-	-	687,017	678,564	-	-	678,564
	2,423,808	-	-	2,423,808	2,457,767	-	-	2,457,767
Supporting activities:								
General and administrative	1,128,857	-	-	1,128,857	1,064,184	-	-	1,064,184
Fundraising	295,192	-	-	295,192	291,691	-	-	291,691
	1,424,049	-	-	1,424,049	1,355,875	-	-	1,355,875
Total Expenses	3,847,857	-	-	3,847,857	3,813,642	-	-	3,813,642
Change in Net Assets from								
Operating Activities	(933,463)	(170,846)	-	(1,104,309)	(609,269)	(161,226)	-	(770,495)

(continued)

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Activities (continued)

	Year Ended June 30,							
	2024				2023			
	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	-	-	12,324	12,324	-	-	16,125	16,125
Investment gain on endowments	40,959	151,271	-	192,230	64,329	124,369	-	188,698
Net periodic pension cost other than service cost	(108,655)	-	-	(108,655)	(95,000)	-	-	(95,000)
Pension-related changes other than net periodic pension cost	(436,366)	-	-	(436,366)	139,829	-	-	139,829
Change in Net Assets	(1,437,525)	(19,575)	12,324	(1,444,776)	(500,111)	(36,857)	16,125	(520,843)
Net Assets, Beginning of Year	36,164	776,553	2,059,554	2,872,271	536,275	813,410	2,043,429	3,393,114
Net Assets, End of Year	<u>\$ (1,401,361)</u>	<u>\$ 756,978</u>	<u>\$ 2,071,878</u>	<u>\$ 1,427,495</u>	<u>\$ 36,164</u>	<u>\$ 776,553</u>	<u>\$ 2,059,554</u>	<u>\$ 2,872,271</u>

See notes to financial statements

NAZARENE BIBLE COLLEGE

Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,444,776)	\$ (520,843)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	63,753	63,135
Reinvested dividends	(88,262)	(97,761)
Contributions restricted for endowment fund	(12,324)	(16,125)
Net unrealized and realized gain on investments	(192,737)	(173,736)
Loss on disposal of property, plant, and equipment	12,134	1,608
Change in defined benefit pension liability	574,435	(44,413)
Gain on lease termination	(9,685)	-
Non-cash effect of change in accounting principle	-	9,685
Change in operating assets and liabilities:		
Accounts receivable	(20,470)	95,019
Prepaid expenses and other assets	14,968	(24,853)
Accounts payable and accrued liabilities	25,033	7,046
Deferred revenue	(13,747)	(36,924)
Net Cash Used by Operating Activities	<u>(1,091,678)</u>	<u>(738,162)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	-	(230,556)
Purchases of investments	(30,000)	(350,000)
Proceeds from sales of investments	954,828	1,326,107
Proceeds from sales of property, plant, and equipment	5,500	-
Net Perkins loans and federal student loan transactions	(576)	411
Net Cash Provided by Investing Activities	<u>929,752</u>	<u>745,962</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowment fund	12,324	16,125
Proceeds from line of credit	175,000	-
Net Cash Provided by Financing Activities	<u>187,324</u>	<u>16,125</u>
Net Change in Cash and Cash Equivalents	25,398	23,925
Cash and Cash Equivalents, Beginning of Year	<u>90,035</u>	<u>66,110</u>
Cash and Cash Equivalents, End of Year	<u>\$ 115,433</u>	<u>\$ 90,035</u>
NON-CASH TRANSACTIONS:		
Right-of-use assets obtained through operating lease obligations	<u>\$ 28,657</u>	<u>\$ 307,744</u>

See notes to financial statements

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

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 that is 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, 2024 and 2023, 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 credit losses of \$19,869 and \$27,251, as of June 30, 2024 and 2023, respectively. Management's estimate of uncollectible accounts was based upon an analysis of past due accounts, which took into consideration historical collections, adjusted for management's expectations about current and future economic conditions. Accounts are written off when all methods to collect have been exhausted. As of June 30, 2024 and 2023, there were no accounts that were accruing interest.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

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 Church of the Nazarene Foundation (CONF). Investments held at Northern are measured at fair value using net asset value (NAV) as a practical expedient. Investments held at 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. Investments held at CONF are pooled investments held at fair value Level 2. 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. As of June 30, 2024, there are no longer any loans outstanding. The College completed the liquidation process for the Perkins Loan Program during the year ended June 30, 2024.

OPERATING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS

The College recognizes assets and liabilities that arise from leases in the statements of financial position. The College has elected to exclude leases with terms of less than 12 months and to combine lease and nonlease components as a single lease component. 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 \$10,000. 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, 2024 and 2023

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, 2024, the College approved a policy of appropriating for distribution six percent of a three year rolling average. During the year ended June 30, 2023, the College had a policy of appropriating for distribution eight percent of a three year rolling average. 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. Accounts receivable-net related to tuition revenue totaled \$33,308, \$12,838, and \$107,857 and deferred revenue totaled \$80,974, \$94,721, and \$131,645 as of June 30, 2024, 2023, and 2022, respectively. 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. Scholarships are also recognized ratably over the academic period, totaling \$375,899 and \$174,378, for the years ended June 30, 2024 and 2023, respectively, in the statements of activities.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

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.

Book sales are recognized at a point in time when the sale occurs. Other income is recognized when earned.

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.

ADVERTISING

The College uses advertising to recruit prospective students. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2024 and 2023, was \$270,573 and \$294,829, respectively.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

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,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 115,433	\$ 90,035
Accounts receivable–net	33,308	12,838
Investments	748,348	952,862
Investments held for endowments	3,039,451	3,478,766
Financial assets, year-end	3,936,540	4,534,501
Less those unavailable for general expenditure within one year, due to:		
Investments held for endowments, net of amounts expected to be appropriated	(1,938,670)	(2,441,044)
Investments held for quasi-endowment	(810,823)	(769,865)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,187,047</u>	<u>\$ 1,323,592</u>

The College has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the College's liquidity management, it invests cash in excess of daily requirements in appropriate short-term interest bearing accounts. 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 appropriate valuation techniques to determine fair value based on inputs available. When available, the College measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. Level 2 inputs consist of a pooled investment fund, upon which the value is based on quoted market prices; however, the College's interest represents an interest in the pooled funds held by another organization and as such are classified at Level 2.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

4. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis at June 30, 2024 are:

	June 30, 2024	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments:			
Pooled investment fund	\$ 31,309	\$ -	\$ 31,309
Investments, as of June 30, 2024, held at other than fair value:			
Certificates of deposit	350,000		
Funds held at Net Asset Value	3,406,490		
	<u>\$ 3,787,799</u>		
Investments, as of June 30, 2023, held at other than fair value:			
Certificates of deposit	\$ 350,000		
Funds held at Net Asset Value	4,081,628		
	<u>\$ 4,431,628</u>		

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, 2024.

Investment Category	Fair Value Determined Using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Group investment fund	<u>\$ 3,406,490</u>	<u>\$ -</u>	Daily	Immediate

The following table lists investments in private equity funds by major category as of June 30, 2023.

Investment Category	Fair Value Determined Using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Group investment fund	<u>\$ 4,081,628</u>	<u>\$ -</u>	Daily	Immediate

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

4. FAIR VALUE MEASUREMENTS, continued:

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.

5. INVESTMENTS:

Operating investments consist of the following:

	June 30,	
	2024	2023
Church of the Nazarene Operating Fund, at net asset value	\$ 3,406,490	\$ 4,081,628
Church of the Nazarene Foundation, at fair value	31,309	-
Certificate of deposit, at cost	350,000	350,000
Assets held for endowment	<u>(3,039,451)</u>	<u>(3,478,766)</u>
	<u>\$ 748,348</u>	<u>\$ 952,862</u>

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

	Year Ended June 30,	
	2024	2023
<u>Non-operating</u>		
Realized and unrealized gain	<u>\$ 192,230</u>	<u>\$ 188,698</u>
<u>Operating</u>		
Realized and unrealized gain (loss)	\$ 11,363	\$ (5,328)
Interest and dividends	105,493	97,853
Less: investment expenses	<u>(10,856)</u>	<u>(9,634)</u>
	<u>\$ 106,000</u>	<u>\$ 82,891</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

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

The College leases office space from a related party. During the year ended June 30, 2024, the College cancelled their original lease and then entered into a new one expiring in 2027. 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 \$854, with a discount rate of 4.62%.

	<u>Year Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Operating lease–right-of-use assets	\$ 30,096	\$ 260,953
Operating lease obligations	\$ 30,096	\$ 270,638
Operating lease costs	\$ 42,441	\$ 55,449
Short-term lease costs	\$ 42,144	\$ 54,959
Weighted-average discount rate	4.62%	2.92%
Weighted-average remaining lease term	3 years	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>	
2025	\$ 10,248
2026	10,248
2027	10,248
	<u>30,744</u>
Less imputed interest	(648)
	<u><u>\$ 30,096</u></u>

7. PROPERTY, PLANT, AND EQUIPMENT–NET:

Property, plant, and equipment–net consist of:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Computers and software	\$ 757,534	\$ 924,920
Furniture and equipment	56,331	94,560
	813,865	1,019,480
Accumulated depreciation	(647,407)	(771,635)
	<u><u>\$ 166,458</u></u>	<u><u>\$ 247,845</u></u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

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,	
	2024	2023
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 6,136,156	\$ 6,406,009
Service cost	61,102	71,434
Interest cost	315,258	296,367
Plan participant contributions	14,788	19,102
Actuarial loss (gain)	401,015	(296,061)
Benefits paid	(382,335)	(360,695)
Benefit Obligation at End of Year	<u>\$ 6,545,984</u>	<u>\$ 6,136,156</u>
Change in Plan Assets:		
Fair value of plan assets at beginning of year	\$ 4,356,758	\$ 4,582,198
Actual return on plan assets	171,252	79,451
Employer contributions	31,688	36,702
Plan participant contributions	14,788	19,102
Benefits paid	(382,335)	(360,695)
Fair Value of Plan Assets at End of Year	<u>\$ 4,192,151</u>	<u>\$ 4,356,758</u>
Reconciliation of Funded Status:		
Funded status (underfunded)	<u>\$ (2,353,833)</u>	<u>\$ (1,779,398)</u>
Defined Benefit Pension Liability	<u>\$ (2,353,833)</u>	<u>\$ (1,779,398)</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

8. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued

	Year Ended June 30,	
	2024	2023
Net Periodic Benefit Cost, included in functional expenses:		
Service cost	\$ 61,102	\$ 71,434
Net Periodic Pension Cost, other than service cost, included in non-operating activities:		
Interest cost	315,258	296,367
Expected return on plan assets	(206,603)	(218,525)
Net loss amortization	-	17,158
Net periodic pension cost other than service cost	<u>108,655</u>	<u>95,000</u>
Net Periodic Benefit Cost	<u>\$ 169,757</u>	<u>\$ 166,434</u>

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

	Year Ended June 30,	
	2024	2023
Amortization of net gain to net periodic benefit cost	\$ (436,366)	\$ 156,987
Amortization of prior service cost to net periodic benefit cost	-	(17,158)
	<u>\$ (436,366)</u>	<u>\$ 139,829</u>

Weighted-average assumptions and method disclosures include:

	Year Ended June 30,	
	2024	2023
Discount rate	5.50%	5.35%
Expected return on plan assets	5.00%	5.00%
Rate of compensation increase	2.50%	2.50%
Amortization method	Straight-line	Straight-line

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

8. RETIREMENT PLANS, continued:

DEFINED BENEFIT PLAN, continued

Expected future benefit payments are:

<u>Year Ending June 30,</u>	
2025	\$ 561,064
2026	617,050
2027	613,385
2028	598,899
2026	582,701
Thereafter	<u>3,572,885</u>
	<u>\$ 6,545,984</u>

DEFINED CONTRIBUTION PLAN

On January 1, 1996, the College's employees also became eligible to participate in the Church's defined contribution plan. Under this tax-sheltered 403(b)(9) annuity plan, participants can contribute pre-tax earnings toward their retirement. The College then contributes a matching portion of up to 3% of the employee compensation. Employees hired prior to May 1, 2017, are grandfathered 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 but then restarted during the year ended June 30, 2024. Total contributions by the College amounted to \$58,589 and \$0 for the years ended June 30, 2024 and 2023, respectively.

9. LINE OF CREDIT:

In February 2023, the College obtained a revolving line of credit of \$350,000 with a variable interest rate (8.75% as of June 30, 2024) held at a financial institution, secured by investments. The line of credit matures in February 2025. As of June 30, 2024 and 2023 the College drew \$175,000 and \$0 on the line of credit, respectively.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

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 is 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, 2024 and 2023.

The following tables presents the functional allocation of expenses:

	For the Year Ended June 30, 2024					
	Program Services			Support Activities		Total
	Instruction	Academic Support	Student Services	General and Administrative	Fundraising	
Salaries and benefits	\$ 895,980	\$ 312,579	\$ 466,069	\$ 829,782	\$ 174,440	\$ 2,678,850
Professional services	21,111	170,375	50,760	117,336	16,449	376,031
Advertising/events	100,089	4,053	50,959	40,813	74,659	270,573
Supplies & other	12,685	67,924	27,680	67,103	18,278	193,670
Occupancy	50,756	72,168	72,168	61,072	8,816	264,980
Depreciation	9,690	19,381	19,381	12,751	2,550	63,753
	\$ 1,090,311	\$ 646,480	\$ 687,017	\$ 1,128,857	\$ 295,192	\$ 3,847,857
Plus net periodic pension cost in non-operating activities	108,655	-	-	-	-	108,655
Total reconciled expenses	\$ 1,198,966	\$ 646,480	\$ 687,017	\$ 1,128,857	\$ 295,192	\$ 3,956,512

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

10. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

	For the Year Ended June 30, 2023					Total
	Program Services			Support Activities		
	Instruction	Academic Support	Student Services	General and Administrative	Fundraising	
Salaries and benefits	\$ 998,126	\$ 306,122	\$ 443,118	\$ 791,517	\$ 166,854	\$ 2,705,737
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>\$ 1,166,236</u>	<u>\$ 612,967</u>	<u>\$ 678,564</u>	<u>\$ 1,064,184</u>	<u>\$ 291,691</u>	<u>\$ 3,813,642</u>
Plus net periodic pension cost in non-operating activities	95,000	-	-	-	-	95,000
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, 2024 and 2023

11. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	June 30,	
	<u>2024</u>	<u>2023</u>
Restricted by purpose or time:		
Scholarships	\$ 82,641	\$ 109,619
Benevolence	17,587	17,587
	<u>100,228</u>	<u>127,206</u>
Undistributed endowment earnings:		
Scholarships	511,046	469,563
Lectureship	125,912	139,173
Other	19,792	40,611
	<u>656,750</u>	<u>649,347</u>
	756,978	776,553
Restricted in perpetuity:		
Assets held for endowment fund	<u>2,071,878</u>	<u>2,059,554</u>
	<u>\$ 2,828,856</u>	<u>\$ 2,836,107</u>

12. ENDOWMENT FUNDS AND RELATED ASSETS:

Assets held for endowment fund consist of:

	June 30,	
	<u>2024</u>	<u>2023</u>
Church of the Nazarene Operating Fund	\$ 2,689,451	\$ 3,128,766
Certificate of deposit	350,000	350,000
	<u>\$ 3,039,451</u>	<u>\$ 3,478,766</u>
Permanently restricted net assets consist of:		
Scholarships	\$ 1,248,167	\$ 1,235,843
Pastoral care	517,864	517,864
Other	305,847	305,847
	<u>\$ 2,071,878</u>	<u>\$ 2,059,554</u>

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

12. ENDOWMENT FUNDS AND RELATED ASSETS, continued:

The endowment net asset composition by type consists of:

	June 30,	
	2024	2023
Board-designated endowment funds:		
Quasi-endowment	\$ 810,823	\$ 769,865
Donor restricted endowment funds:		
Restricted by purpose or time	656,750	649,347
Restricted in perpetuity	2,071,878	2,059,554
	3,539,451	\$ 3,478,766
Less: Quasi-endowment loan to operations	(500,000)	
Investments held for endowments	\$ 3,039,451	

Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gains	
Endowment net assets, beginning of year	\$ 769,864	\$ 2,059,554	\$ 649,348	\$ 3,478,766
Investment income	40,959	-	151,271	192,230
Contributions	-	12,324	-	12,324
Appropriated for expenditure	-	-	(143,869)	(143,869)
Endowment net assets, end of year	\$ 810,823	\$ 2,071,878	\$ 656,750	\$ 3,539,451

During the year ended June 30, 2024, \$500,000 of the \$810,823 in endowment net assets without donor restrictions have been loaned to operations.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

12. ENDOWMENT FUNDS AND RELATED ASSETS, continued:

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 loss	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>

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, 2023 and none as of June 30, 2024. The donor-restricted endowment funds have original gift values of \$517,864 and current fair values of \$502,258, with deficiencies of \$15,606 as of June 30, 2023.

13. 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.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

14. FINANCIAL CONDITION:

For the years ended June 30, 2024 and 2023, the College had a negative change in net assets of approximately \$1,445,000 and \$521,000, respectively. As of June 30, 2024, this resulted in a deficit of net assets without donor restrictions of approximately \$1,401,000. The primary reason for this financial situation is declines in enrollment and expense growth outpacing revenue growth.

Management has recognized the significance of the financial condition of the College and is working to address its need to increase operating revenues through increased contributions while at the same time significantly reducing operating expenses in order to improve its financial condition. Management has developed a financial recovery plan to address the College's financial condition and is pursuing the financial plan to address these concerns and support the financial viability of the College. The plan includes increasing Covenant Partner contributions, other contributions including those from the Church of the Nazarene if possible, additional draws on the line of credit up to the \$350,000 maximum if needed, and reducing additional staffing where available.

15. CONCENTRATION:

During the years ended June 30, 2024 and 2023, one donor contributed approximately 34% and 27%, respectively, of total support and revenue.

NAZARENE BIBLE COLLEGE

Notes to Financial Statements

June 30, 2024 and 2023

16. RELATED PARTY TRANSACTIONS:

Related party transactions for the year ended June 30, 2024:

<u>Related Party</u>	<u>Location</u>	<u>Nature</u>	<u>Revenue (Expense)</u>	<u>Asset (Liability)</u>	<u>Other</u>
Church of the Nazarene	Lenexa, Kansas	Donations	\$ 926,425		Denomination institution
		Lease expenses	\$ (42,144)		
Nazarene Congregations	Lenexa, Kansas	Donations	\$ 202,219		Member of denomination

The College is an educational institution of the Church of the Nazarene (the Church). During the year ended June 30, 2023, the College received contributions from the Church for education services of \$825,854 and for capital purchases of \$157,848. The College also has entered into an operating lease with the Church for office space. Short-term lease expense totaled \$54,959 for the year ended June 30, 2023.

The College received funds from various individual Nazarene congregations as an annual offering. For the year ended June 30, 2023, the annual offerings totaled \$172,437.

17. SUBSEQUENT EVENTS:

Subsequent events were evaluated through March 14, 2025, which is the date the financial statements were available to be issued.