TRINITY BIBLE COLLEGE AND GRADUATE SCHOOL

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

TRINITY BIBLE COLLEGE AND GRADUATE SCHOOL
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Trinity Bible College and Graduate School
Ellendale, North Dakota

We have audited the accompanying financial statements of Trinity Bible College and Graduate School (the College), which comprise the balance sheets as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trinity Bible College and Graduate School as of June 30, 2017 and 2016, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 24, 2017

TRINITY BIBLE COLLEGE AND GRADUATE SCHOOL
BALANCE SHEETS
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 1,618,566	$ 545,177
Restricted Cash	148,289	61,646
Receivables:		
Contributions, Net of Discount of $12,733 and $25,104 in 2017 and 2016, Respectively	438,707	427,896
Student Accounts, Net of Allowance for Doubtful Receivables of $137,104 and $130,600 in 2017 and 2016, Respectively	89,324	87,877
Inventory	29,115	30,761
Prepaid Expenses and Other Assets	15,340	63,834
Investments	171,413	164,667
Investments Held in Trust	297,149	236,132
Student Notes Receivable	1,067,440	1,138,163
Bequest Receivable	328,723	-
Property, Plant, and Equipment, Net	9,819,130	9,902,894
Total Assets	$ 14,023,196	$ 12,659,047
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 78,630	$ 63,770
Accrued Liabilities	196,883	193,668
Student Deposits	23,000	25,240
Deposits Held in Custody of Others	-	17,991
Scholarships Due to Ellendale School District	15,705	20,205
Notes and Bonds Payable	5,434,819	5,527,575
Government Grants Refundable	924,610	909,443
Other Liabilities	30,600	30,600
Total Liabilities	6,704,247	6,788,492
NET ASSETS		
Unrestricted	4,414,999	4,545,752
Temporarily Restricted	2,175,763	820,978
Permanently Restricted	728,187	503,825
Total Net Assets	7,318,949	5,870,555
Total Liabilities and Net Assets	$ 14,023,196	$ 12,659,047

See accompanying Notes to Financial Statements.

TRINITY BIBLE COLLEGE AND GRADUATE SCHOOL
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND GAINS				
Tuition and Fees	$ 2,839,569	$ -	$ -	$ 2,839,569
Grants and Scholarships	(859,932)	-	-	(859,932)
Net Tuition and Fees	1,979,637	-	-	1,979,637
Contributions	1,603,054	1,806,648	224,362	3,634,064
Contracts and Other Exchange Transactions	150,848	-	-	150,848
Interest, Dividends, and Realized Gains	5,344	-	-	5,344
Unrealized Gain (Loss) on Investments	9,623	(1,328)	-	8,295
Sales and Services of Auxiliary Activities	815,890	-	-	815,890
Loss on Disposal of Fixed Assets	(1,276)	-	-	(1,276)
Subtotal	4,563,120	1,805,320	224,362	6,592,802
Net Assets Released from Restrictions	450,535	(450,535)	-	-
Total Revenues and Gains	5,013,655	1,354,785	224,362	6,592,802
EXPENSES AND LOSSES				
Instruction	1,325,851	-	-	1,325,851
Academic Support	361,973	-	-	361,973
Student Services	1,176,535	-	-	1,176,535
Institutional Support	1,352,423	-	-	1,352,423
Auxiliary Enterprises	927,626	-	-	927,626
Total Expenses and Losses	5,144,408	-	-	5,144,408
CHANGE IN NET ASSETS	(130,753)	1,354,785	224,362	1,448,394
Net Assets - Beginning of Year	4,545,752	820,978	503,825	5,870,555
NET ASSETS - END OF YEAR	$ 4,414,999	$ 2,175,763	$ 728,187	$ 7,318,949

See accompanying Notes to Financial Statements.

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 2,859,990	$ -	$ -	$ 2,859,990
(887,433)	-	-	(887,433)
1,972,557	-	-	1,972,557
891,937	850,809	26,992	1,769,738
85,005	-	-	85,005
39,059	-	-	39,059
11,876	703	-	12,579
831,610	-	-	831,610
-	-	-	-
3,832,044	851,512	26,992	4,710,548
1,603,526	(1,603,526)	-	-
5,435,570	(752,014)	26,992	4,710,548
981,822	-	-	981,822
439,583	-	-	439,583
1,078,913	-	-	1,078,913
1,541,398	-	-	1,541,398
934,836	-	-	934,836
4,976,552	-	-	4,976,552
459,018	(752,014)	26,992	(266,004)
4,086,734	1,572,992	476,833	6,136,559
$ 4,545,752	$ 820,978	$ 503,825	$ 5,870,555

TRINITY BIBLE COLLEGE AND GRADUATE SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,448,394	$ (266,004)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	373,116	433,633
Unrealized Gain on Investments	(8,295)	(12,579)
Realized Gain on Investments	-	(29,422)
Contributions Received for Long-Term Purposes	(224,362)	(26,992)
Loss on Disposal of Property, Plant, and Equipment	1,276	-
Provision for Bad Debts	6,504	15,772
Donation of Building Improvements and Equipment	(4,000)	(92,378)
Changes in Assets and Liabilities:		
Contributions Receivable	(10,811)	173,008
Student Accounts Receivable	(7,951)	(67,939)
Bequest Receivable	(164,361)	(47,389)
Inventory	1,646	6,586
Prepaid Expenses	48,494	26,890
Accounts Payable	14,860	(61,209)
Accrued Liabilities	3,215	(54,092)
Student and Other Deposits	(20,231)	(11,711)
Other Liabilities	(4,500)	(4,500)
Net Cash Provided (Used) by Operating Activities	1,452,994	(18,326)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	532	740,923
Proceeds on Sales of Property, Plant, and Equipment	2,188	-
Purchases of Investments	(60,000)	(26,992)
Purchase of Property, Plant, and Equipment	(287,787)	(1,236,494)
Net Cash Used by Investing Activities	(345,067)	(522,563)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	6,028,000
Principal Payments on Long-Term Debt	(93,785)	(5,631,563)
Contributions Received for Long-Term Purposes	60,000	26,992
Payments for Debt Financing	-	(40,836)
Change in Government Grants Refundable	85,890	(22,665)
Net Cash Provided by Financing Activities	52,105	359,928
CHANGE IN CASH AND CASH EQUIVALENTS	1,160,032	(180,961)
Cash and Cash Equivalents - Beginning of Year	606,823	787,784
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,766,855	$ 606,823
Cash and Cash Equivalents	$ 1,618,566	$ 545,177
Restricted Cash	148,289	61,646
Total Cash and Cash Equivalents	$ 1,766,855	$ 606,823
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash Payments for Interest	$ 258,440	$ 413,677
Donations of Building Improvements and Equipment	$ 4,000	$ 92,378

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Trinity Bible College was founded in 1948 as Lakewood Park Bible School on the campground of the North Dakota District Council of the Assemblies of God near Devils Lake, North Dakota. Enrollment the first year was 18 students. Continuous growth necessitated larger facilities and in 1960 the school relocated to Aberdeen, South Dakota. The school's name was changed to Hub City Bible Institute, adopting the common sobriquet of that city. By 1967 enrollment had increased to 143 students and the college moved to the facilities of the former Trinity Hospital building in Jamestown, North Dakota. The school's name was changed the next year to Trinity Bible Institute. Again the school outgrew its facilities and in 1972 moved to its current location in Ellendale, North Dakota, where it occupies the campus that was formerly part of the University of North Dakota system. Enrollment the first year in Ellendale was 308 students. The name was changed to Trinity Bible College in 1983. During 2016, the name was again changed to Trinity Bible College and Graduate School due to the addition of graduate school programs.

Trinity Bible College (the College) is a four-year college that was established 65 years ago and continues its rich heritage in the Bible College tradition. Bible is the College's middle name. The College celebrates every expression of Christian Higher Education but contends that there are some things that can only be achieved within a Bible College setting. The first is an integrated curriculum. It means that the student is engaged in ministry preparation no matter what the program he or she is taking. Every course helps inform the others and helps to develop in the student a comprehensive view of the Bible, of doctrine and of ministry. The second is a dynamic environment in which chapel, faculty, ministry, and mission opportunities are designed to develop a capacity for ministry. There is a focus of the content of chapel services that is unique to the College and is an exciting context in which to discover life purpose and the call of God. Third, a connection to the constituency is another strength that is found in the College. The College is an expression of community of churches that desire to raise a new generation of leaders for both ministry and mission. Finally, the College provides an important thinking center that is vital to the dynamic and relevant proclamation of the Gospel to the diverse people and generations that must hear its good news.

Use of Estimates

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification Topic ASC 958-205, Financial Statements of Not-for-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that can be fulfilled by actions of the College pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the College. Generally, the donors of such assets permit the College to use all or part of the income earned on the assets.

Concentrations of Credit Risk

At various times throughout the year the College may maintain certain bank accounts in excess of the FDIC insured limits.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the College considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Certificates of deposits with an original maturity of more than three months are classified as temporary cash investments.

Restricted Cash

Under provision of the federal Perkins loan program, the College is required to maintain cash under this program in separate accounts. The College also holds proceeds from bond issuance and a bond sinking fund as restricted cash according to the terms of the bond indenture. Accordingly, such amounts are reported separately from cash and cash equivalents in the balance sheets.

Accounts and Notes Receivable

Trinity Bible College grants credit to students attending the College under normal trade terms and under the Perkins Loan Program. Management reviews receivables on an annual basis and charges operations for estimated uncollectible accounts. Although the College’s student base is geographically diverse, a substantial portion of their ability to repay their debts is dependent upon the economic conditions in the region and in the professions which the students enter. Receivables are noninterest bearing. The carrying amount of the receivables is reduced by an amount that reflects management’s best estimate of the amounts that will not be collected.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventories are stated at the lower of cost or market value, using the first-in, first-out method.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the balance sheet. Gains or losses on investments shall be reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Property, Plant, and Equipment

The original campus land and buildings are stated at an estimated fair market value as of the date of gift of January 3, 1973. Additions to land and buildings since that date and equipment have been recorded at cost or at fair market value at date of gift in the case of gifts. Additions, renewals, and betterments are capitalized, whereas expenditures for maintenance and repairs are charged to expenditures. Assets purchased with a useful life of greater than one year and an acquisition cost of $1,000 or greater are capitalized.

Depreciation is recorded on all property and equipment. The depreciation methods and the estimated useful lives used as the basis for the application of those methods are as follows:

	Method	Estimated Useful Lives
Buildings	Straight-Line	12-50 Years
Building Improvements	Straight-Line	10 Years
Furniture and Equipment	Straight-Line	3-10 Years
Vehicles	Straight-Line	3-5 Years

Split-Interest Agreements

The College has arrangements with donors classified as charitable remainder trusts for which they are not the trustee. The value of the beneficial interest in the remainder trusts is recorded when the trust agreement has been received and there is sufficient information available to value the agreement. The amount recorded is the beneficial interest which is the net expected benefit to be received.

Debt Issuance Costs

Debt issuance costs of $40,836, related to the debt with Church Extension Plan, are amortized over the term of the loan. Amortization of these debt-financing costs for the years ended June 30, 2017 and 2016 were $1,029 and $686, respectively. These costs are netted against the outstanding liability for presentation in the balance sheets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Unconditional promises to give (pledges) are recorded as receivables and revenues and require the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The College uses the allowance method to determine uncollectible pledges receivable. The allowance is an estimate based on prior years' fund-raising experience on a local and national level. No allowance has been determined necessary. In addition, contributions receivable in future years have been discounted to their estimated present value.

The College has the right to report gifts such as cash and long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash and other assets are reported 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 accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of cash and other assets restricted by the donor to be invested in perpetuity and only the income made available for program operations are classified as permanently restricted.

Net Asset Classification

The College follows the provisions of *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. This provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component of the Topic is a requirement for expanded disclosures about all endowment funds whether or not the organization is subject to UPMIFA.

The College's endowment consists of approximately 15 individual funds established for a variety of purposes including scholarships and program support. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees has interpreted 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 permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification (Continued)

(c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

(1) The duration and preservation of the fund
(2) The purposes of the College and the donor-restricted fund
(3) General economic conditions
(4) The possible effects of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the College
(7) The investment policies of the College

Fair Value Measurements

The College determined the fair value of certain assets in accordance with the provisions of FASB *Accounting Standards Codification*, *Fair Value Measurements,* which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America.

Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. It is required that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The Standard also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Functional Allocation of Expenses

Salaries and related expenses are allocated based on actual time spent. Expenses, other than salaries and related expenses which are not directly identifiable by program or support service, are allocated based on the best estimates of management. Total fundraising expenses for the years ended June 30, 2017 and 2016 of $20,003 and $10,060, respectively, are included in Institutional Support expenses on the statements of activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The College is a nonprofit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3).

The College follows the provisions of the FASB *Accounting Standards Codification Topic, Accounting for Uncertainty in Income Taxes*. The implementation of this standard had no impact on the financial statements. As of June 30, 2017 and 2016, the unrecognized tax benefit accrual was zero.

The College will recognize future accrued interest and penalties related to the unrecognized tax benefits in income tax expense if incurred.

Reclassifications

Certain amounts presented in the 2016 financial statements have been reclassified to conform to the 2017 presentation. The reclassifications have no effect on reported amounts of total net assets or changes in net assets.

Subsequent Events

The College has evaluated subsequent events through October 24, 2017, the date which the financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at June 30:

	2017	2016
Bequests	$ 328,723	$ -
Other Contributions	438,707	427,896
Total	$ 767,430	$ 427,896

Management believes total contributions will be received as follows:

	2017	2016
Amounts Due:		
Within One Year	$ 580,163	$ 153,000
One to Five Years	200,000	300,000
Total Contributions	780,163	453,000
Less: Discount of 5%	(12,733)	(25,104)
Contributions Receivable, Net	$ 767,430	$ 427,896

NOTE 3 STUDENT NOTES RECEIVABLE

The College issues uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. No allowance is considered necessary as of June 30, 2017 and 2016. At June 30, 2017 and 2016, student notes represented 7.61% and 8.99% of total assets, respectively.

At June 30, student loans consisted of the following:

	2017	2016
Federal Government Programs	$ 1,067,440	$ 1,138,163

Funds advanced by the Federal government of $924,610 and $909,443 at June 30, 2017 and 2016, respectively, are ultimately refundable to the government, and are classified as liabilities in the balance sheets.

The following amounts were past due under student loan programs:

	60-90 Days Past Due	90+ Days Past Due	Total Past Due
June 30, 2017	$ 1,739	$ 111,525	$ 113,264
June 30, 2016	4,106	144,457	148,563
Total	$ 5,845	$ 255,982	$ 261,827

NOTE 4 INVESTMENTS

The carrying values of investments as of June 30 are as follows:

	2017	2016
Held in Trust by Others	$ 297,149	$ 236,132
Government Securities	73,088	75,267
Capital Credits in Cooperatives	98,325	89,400
Total	$ 468,562	$ 400,799

Investments held in trust by others represent investments held by the trustees of the Starbuck Trust and the Assemblies of God Foundation. Their investments are comprised of money market funds, common stocks, mutual funds and capital credits held with cooperatives.

NOTE 4 INVESTMENTS (CONTINUED)

The College's investments are measured at fair value on a recurring basis. As of June 30:

	2017			
	Level 1	Level 2	Level 3	Total
Held in Trust by Others	$ -	$ -	$ 297,149	$ 297,149
Government Securities	73,088	-	-	73,088
Capital Credits in Cooperatives	-	-	98,325	98,325
Total	$ 73,088	$ -	$ 395,474	$ 468,562

	2016			
	Level 1	Level 2	Level 3	Total
Held in Trust by Others	$ -	$ -	$ 236,132	$ 236,132
Government Securities	75,267	-	-	75,267
Capital Credits in Cooperatives	-	-	89,400	89,400
Total	$ 75,267	$ -	$ 325,532	$ 400,799

The following table provides a summary of changes in fair value of the College's Level 3 financial assets for the year ended June 30, 2017:

	Funds Held in Trust by Others	Capital Credits	Total
Beginning Balance	$ 236,132	$ 89,400	$ 325,532
Contributions	60,000	-	60,000
Distributions	(595)	-	(595)
Net Appreciation	1,612	8,925	10,537
Ending Balance	$ 297,149	$ 98,325	$ 395,474

The following table provides a summary of changes in fair value of the College's Level 3 financial assets for the year ended June 30, 2016:

	Funds Held in Trust by Others	Capital Credits	Total
Beginning Balance	$ 920,638	$ 61,018	$ 981,656
Contributions	26,992	-	26,992
Distributions	(741,018)	(7,494)	(748,512)
Net Appreciation	29,520	35,876	65,396
Ending Balance	$ 236,132	$ 89,400	$ 325,532

NOTE 4 INVESTMENTS (CONTINUED)

The following schedule summarizes the College's investment return for the years ended June 30:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest, Dividends, and Realized Gains	$ 5,344	$ -	$ -	$ 5,344
Unrealized Gain (Loss) on Investment	9,623	(1,328)	-	8,295
Total	$ 14,967	$ (1,328)	$ -	$ 13,639

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest, Dividends, and Realized Gains	$ 39,059	$ -	$ -	$ 39,059
Unrealized Gain on Investment	11,876	703	-	12,579
Total	$ 50,935	$ 703	$ -	$ 51,638

NOTE 5 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following at June 30:

	2017	2016
Land and Improvements	$ 380,536	$ 380,536
Buildings	10,120,021	7,343,664
Building Improvements	2,716,952	2,698,563
Furniture, Fixtures, and Equipment	2,330,790	2,148,770
Vehicles	355,332	357,344
Library Books	184,776	184,776
Construction In Progress	1,168,800	3,884,779
Total	17,257,207	16,998,432
Accumulated Depreciation	(7,438,077)	(7,095,538)
Total	$ 9,819,130	$ 9,902,894

Depreciation expense totaled $372,087 and $307,110 for the years ended June 30, 2017 and 2016, respectively.

NOTE 6 DEBT

Debt consists of the following at June 30:

Description	2017	2016
Church Extension Plan mortgage with 4.5% adjustable interest rate and 30-year term. The interest rate is subject to adjustment every 3 years, with a maximum 2% capped increase. The College is required to make monthly loan payments, due on the 20th of each month. Proceeds were used to refinance previous loans and lines of credit, to complete construction on the Prayer Chapel and the President's House, and to reduce the deferred maintenance costs on older campus buildings. This loan is secured by the mortgaged property and the mortgage.	$ 5,473,940	$ 5,567,725
Less: Debt Issuance Costs	(39,121)	(40,150)
Total	$ 5,434,819	$ 5,527,575

Minimum principal repayments required on the debt as of June 30, 2017 is as follows:

Year Ending June 30,	Amount
2018	$ 97,860
2019	102,355
2020	107,057
2021	111,976
2022	117,120
Thereafter	4,937,572
Total	$ 5,473,940

The College also had a line of credit agreement with Heritage Investment Services in the amount of $610,000 that was terminated during the year ended June 30, 2016. Interest was payable at 6% and the principal balance must be repaid by December 31 of each year the line of credit was outstanding and shall remain at a zero balance for a period of 60 days. At June 30, 2017 and 2016, the College had an outstanding balance of $-0-.

Total interest expense incurred as a result of the above financing was $258,155 and $389,486 as of June 30, 2017 and 2016, respectively.

NOTE 7 GOVERNMENT GRANTS REFUNDABLE

The College receives Perkins Loan funds from the Department of Education that are available to be loaned to eligible students. The College collects loan repayments (principal and interest) from the students that are deposited back into the Perkins Loan funds and subsequently loaned to other eligible students. If the program is cancelled by the College, the loan pool must be repaid to the federal government, and accordingly, is reflected as a liability in the financial statements. The College receives a small fee for administering the program. Government grants refundable amounted to $924,610 and $909,443 for the years ended June 30, 2017 and 2016, respectively.

NOTE 8 RETIREMENT PLAN

The College provides retirement benefits for substantially all of its full-time employees who wish to participate in such benefits through participation in various retirement funds. The College makes payments to the funds equal to 2% of the participating employees' salaries. The total retirement expenditure was $23,276 for the year ended June 30, 2017 and $22,476 for the year ended June 30, 2016.

NOTE 9 RESTRICTIONS ON NET ASSETS

Net assets released from restrictions were as follows for the years ended June 30:

	2017	2016
Scholarships Provided	$ 170,597	$ 162,690
Released for Capital Projects	25,000	129,240
Other Programs	166,331	711,596
Graduate School	87,180	-
Released for Time Restrictions	1,427	600,000
Total	$ 450,535	$ 1,603,526

Temporarily restricted net assets are available for the following purposes at June 30:

	2017	2016
Available for Future Periods	$ 287,267	$ 535,143
Available for Scholarships	131,576	131,576
Available for Capital Projects	1,521,046	72,546
Graduate School	159,270	-
Other Programs	76,604	81,713
Total	$ 2,175,763	$ 820,978

The College holds permanently restricted net assets as of June 30, 2017 and 2016 of $728,187 and $503,825, respectively. The corpus is to be held in perpetuity in an endowment and the earnings are restricted for scholarships and general operations. Net assets could change in near term if additional supporting documentation becomes available.

NOTE 10 ENDOWMENT

The composition of Endowment Net Assets by fund type as of June 30 is as follows:

June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (279,488)	$ 9,319	$ 728,187	$ 458,018

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (279,488)	$ 10,647	$ 503,825	$ 234,984

Changes in Endowment Net Assets for the years ended June 30 are as follows:

June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	$ (279,488)	$ 10,647	$ 503,825	$ 234,984
Contributions	-	-	224,362	224,362
Investment Return:				
Net Realized and Unrealized Depreciation	-	(1,328)	-	(1,328)
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets - End of Year	$ (279,488)	$ 9,319	$ 728,187	$ 458,018

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	$ (279,488)	$ 9,944	$ 476,833	$ 207,289
Contributions	-	-	26,992	26,992
Investment Return:				
Net Realized and Unrealized Appreciation	-	703	-	703
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets - End of Year	$ (279,488)	$ 10,647	$ 503,825	$ 234,984

NOTE 10 ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets. Those assets include donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of trustees, at a minimum, it is the objective of the College to attempt to preserve the real principal value of its endowment through prudent investment of those funds under management, as well as the level of spending in real dollar terms, over the longer term. It is believed that prudent investment management and continuing development efforts will enhance endowment growth beyond this minimum objective.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that normally places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a current policy of limited distribution of its endowment funds due to the existing economic climate. In establishing this policy, the College considered the long-term expected return on its endowment. Such a policy will allow for greater predictability of spendable income for budgeting purposes, for a gradual, steady growth of the endowment's support of the College's operation, and will minimize the probability of invading endowment principal over the long term. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

From time to time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of historical value. Deficiencies of this nature were $279,488 as of June 30, 2017 and 2016.

NOTE 11 BOARD MEMBER GENEROSITY

The College received contributions from board members' of $592,866 and $192,887 for the years ended June 30, 2017 and 2016, respectively. The College had pledge receivable balances of $101,000 and $10,000 as of June 30, 2017 and 2016, respectively.

NOTE 12 SUBSEQUENT EVENTS

Subsequent to year-end, on July 5, 2017, the College purchased an apartment building at a cost of $745,000, half of which was contributed by the seller to the College.

Subsequent to year-end, on September 7, 2017, the College signed a contract to remodel Davidson Hall, an existing building on campus, at a cost of $2,267,330.