

# 2014 ANNUAL REPORT GEORGIA BAPTIST CONVENTION

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**Ingleside Baptist Church | Macon**  
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**Psalm 85:6** Will You not revive us again  
so that Your people may rejoice in You?



**revive**2014  
Georgia Baptist  
Convention annual meeting

**AUDITS**

**TRUETT-McCONNELL COLLEGE**

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Financial Statements and  
Independent Auditors' Report



**Truett-McConnell**  
C O L L E G E

*Biblically Centered • Distinctively Baptist*

Truett-McConnell College

June 30, 2014 and 2013

**Metcalfe** **Davis**

CPAs | ADVISORS

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**TRUETT-McCONNELL COLLEGE**

**June 30, 2014 and 2013**

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## Independent Auditors' Report

Board of Trustees  
Truett-McConnell College

We have audited the accompanying financial statements of Truett-McConnell College, which comprise the statement of financial position as of June 30, 2014 and 2013, 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 of material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truett-McConnell College as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Metcalf Davis*

Atlanta, Georgia  
November 7, 2014

Truett-McConnell College

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,251,845	\$ 3,643,618
Student accounts receivable, net	201,901	333,803
Certificate of deposit - restricted	473,000	-
Other receivables	64,519	66,533
Investments	1,425,191	1,355,289
Other assets	221,919	248,977
Beneficial interests in trusts	4,728,731	4,177,714
Property, plant and equipment, net	<u>24,374,163</u>	<u>24,518,094</u>
Total assets	<u>\$ 34,741,269</u>	<u>\$ 34,344,028</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,568,269	\$ 1,873,095
Deposits	47,784	42,886
Deferred revenue	128,686	110,093
Lines of credit	1,541,179	1,361,414
Capital leases	-	7,888
Notes and bonds payable	10,198,815	10,748,709
Interest rate swap agreement	124,549	180,933
Conditional asset retirement obligation	<u>222,091</u>	<u>221,440</u>
Total liabilities	13,831,373	14,546,458
Commitments and contingencies (notes M and P)		
Net assets		
Unrestricted		
Net investment in property and equipment	11,375,958	10,948,044
Designated for capital improvements	4,000,000	3,300,000
Undesignated	<u>(679,168)</u>	<u>(152,665)</u>
	14,696,790	14,095,379
Temporarily restricted	1,102,279	1,105,229
Permanently restricted	<u>5,110,827</u>	<u>4,596,962</u>
Total net assets	<u>20,909,896</u>	<u>19,797,570</u>
Total liabilities and net assets	<u>\$ 34,741,269</u>	<u>\$ 34,344,028</u>

The accompanying notes are an integral part of these statements.

Truett-McConnell College

**STATEMENT OF ACTIVITIES**

Year ended June 30, 2014  
(with comparative totals for 2013)

	Unrestricted	Temporarily restricted	Permanently restricted	2014 Total	2013 Total
Operating revenues and other support					
Tuition and fees	\$ 11,916,115	\$ -	\$ -	\$ 11,916,115	\$ 10,351,193
Less: financial assistance	<u>(3,916,864)</u>	<u>-</u>	<u>-</u>	<u>(3,916,864)</u>	<u>(3,706,745)</u>
Net tuition and fees	7,999,251	-	-	7,999,251	6,644,448
Private gifts and grants					
Georgia Baptist Convention	1,000,362	-	-	1,000,362	914,112
Other private gifts and grants	346,349	587,420	-	933,769	546,984
Investment return appropriated for					
operating activities	83,407	-	-	83,407	86,274
Sales and services of auxiliary enterprises	3,139,447	-	-	3,139,447	3,152,119
Other income	224,359	-	-	224,359	324,111
Net assets released from restrictions					
Satisfaction of program restrictions	<u>695,165</u>	<u>(695,165)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues and other support	13,488,340	(107,745)	-	13,380,595	11,668,048
Expenses					
Educational and general					
Instruction	3,776,636	-	-	3,776,636	3,413,354
Academic support	1,492,238	-	-	1,492,238	1,361,695
Student services	2,792,608	-	-	2,792,608	2,493,932
Institutional support	<u>1,830,199</u>	<u>-</u>	<u>-</u>	<u>1,830,199</u>	<u>1,933,541</u>
Total educational and general	9,891,681	-	-	9,891,681	9,202,522
Auxiliary enterprises	<u>3,243,906</u>	<u>-</u>	<u>-</u>	<u>3,243,906</u>	<u>3,155,385</u>
Total expenses	<u>13,135,587</u>	<u>-</u>	<u>-</u>	<u>13,135,587</u>	<u>12,357,907</u>
Change in net assets from operations	352,753	(107,745)	-	245,008	(689,859)
Non-operating activities					
Private gifts and grants					
Georgia Baptist Convention	-	-	-	-	1,124,640
Other private gifts and grants	-	124,794	84,650	209,444	42,838
Investment return net of amount appropriated					
for operating activities	20,527	89,525	244,056	354,108	354,552
Change in value of split interest agreements	-	62,223	185,159	247,382	(8,730)
Valuation adjustment for interest rate					
swap agreement	56,384	-	-	56,384	69,126
Net assets released from restrictions					
Expended for capital improvements	<u>171,747</u>	<u>(171,747)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	601,411	(2,950)	513,865	1,112,326	892,567
Net assets at beginning of year	<u>14,095,379</u>	<u>1,105,229</u>	<u>4,596,962</u>	<u>19,797,570</u>	<u>18,905,003</u>
Net assets at end of year	<u>\$ 14,696,790</u>	<u>\$ 1,102,279</u>	<u>\$ 5,110,827</u>	<u>\$ 20,909,896</u>	<u>\$ 19,797,570</u>

The accompanying notes are an integral part of this statement.

Truett-McConnell College

**STATEMENT OF ACTIVITIES**

Year ended June 30, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues and other support				
Tuition and fees	\$ 10,351,193	\$ -	\$ -	\$ 10,351,193
Less: financial assistance	<u>(3,706,745)</u>	<u>-</u>	<u>-</u>	<u>(3,706,745)</u>
Net tuition and fees	6,644,448	-	-	6,644,448
Private gifts and grants				
Georgia Baptist Convention	914,112	-	-	914,112
Other private gifts and grants	213,160	333,824	-	546,984
Investment return appropriated for operating activities	86,274	-	-	86,274
Sales and services of auxiliary enterprises	3,152,119	-	-	3,152,119
Other income	324,111	-	-	324,111
Net assets released from restrictions				
Satisfaction of program restrictions	<u>466,477</u>	<u>(466,477)</u>	<u>-</u>	<u>-</u>
Total operating revenues and other support	11,800,701	(132,653)	-	11,668,048
Expenses				
Educational and general				
Instruction	3,413,354	-	-	3,413,354
Academic support	1,361,695	-	-	1,361,695
Student services	2,493,932	-	-	2,493,932
Institutional support	<u>1,933,541</u>	<u>-</u>	<u>-</u>	<u>1,933,541</u>
Total educational and general	9,202,522	-	-	9,202,522
Auxiliary enterprises	<u>3,155,385</u>	<u>-</u>	<u>-</u>	<u>3,155,385</u>
Total expenses	<u>12,357,907</u>	<u>-</u>	<u>-</u>	<u>12,357,907</u>
Operating revenues under expenses	(557,206)	(132,653)	-	(689,859)
Non-operating revenues (expenses)				
Private gifts and grants				
Georgia Baptist Convention	1,124,640	-	-	1,124,640
Other private gifts and grants	-	-	42,838	42,838
Investment return net of amount appropriated for operating activities	(8,253)	178,584	184,221	354,552
Change in value of split interest agreements	-	(4,784)	(3,946)	(8,730)
Valuation adjustment for interest rate swap agreement	69,126	-	-	69,126
Net assets released from restrictions				
Expended for capital improvements	<u>145,120</u>	<u>(145,120)</u>	<u>-</u>	<u>-</u>
Change in net assets	773,427	(103,973)	223,113	892,567
Net assets at beginning of year	<u>13,321,952</u>	<u>1,209,202</u>	<u>4,373,849</u>	<u>18,905,003</u>
Net assets at end of year	<u>\$ 14,095,379</u>	<u>\$ 1,105,229</u>	<u>\$ 4,596,962</u>	<u>\$ 19,797,570</u>

The accompanying notes are an integral part of this statement.

Truett-McConnell College

**STATEMENTS OF CASH FLOWS**

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Change in net assets	\$ 1,112,326	\$ 892,567
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,057,794	1,028,032
Amortization of bond issuance costs	4,919	4,919
Amortization of food service contract liability	(129,000)	(129,000)
Net unrealized and realized gains on investments	(279,594)	(12,036)
Change in value of split interest agreements	(247,382)	(172,102)
Contributions restricted to long-term investment	(84,650)	(42,838)
Gift-in-kind, real property	-	(1,124,640)
Loss on disposal of property and equipment	-	7,408
Valuation adjustment on interest rate swap agreement	(56,384)	(69,126)
Change in assets and liabilities:		
Accounts and other receivables	133,916	(79,597)
Other assets	22,139	(16,870)
Accounts payable and accrued expenses	(175,826)	427,798
Deposits	4,898	(5,406)
Deferred revenue	18,593	11,222
Conditional asset retirement obligation	<u>651</u>	<u>618</u>
Net cash provided by operating activities	1,382,400	720,949
Cash flows from investing activities		
Purchase of property and equipment	(913,863)	(1,391,738)
Proceeds from sale of property and equipment	-	4,240
Proceeds from liquidation of trust	171,747	145,120
Purchase of investments	(2,371,103)	(669,268)
Proceeds from sale of investments	<u>2,105,413</u>	<u>412,939</u>
Net cash used in investing activities	(1,007,806)	(1,498,707)

Continued...

Truett-McConnell College

**STATEMENTS OF CASH FLOWS - Continued**

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from financing activities		
Net advances (repayments) on lines of credit	\$ 179,765	\$ (938,587)
Investment in restricted cash- collateral for line of credit	(473,000)	-
Principal payments on long-term debt	(557,782)	(394,777)
Proceeds from long-term debt	-	1,300,000
Contributions restricted to long-term investment	<u>84,650</u>	<u>42,838</u>
Net cash (used in) provided by financing activities	<u>(766,367)</u>	<u>9,474</u>
Net increase (decrease) in cash and cash equivalents	(391,773)	(768,284)
Cash and cash equivalents at beginning of year	<u>3,643,618</u>	<u>4,411,902</u>
Cash and cash equivalents at end of year	<u>\$ 3,251,845</u>	<u>\$ 3,643,618</u>
<u>Cash paid during the year for:</u>		
Interest on indebtedness	\$ 354,374	\$ 360,333

The accompanying notes are an integral part of these statements.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Truett-McConnell College (the “College”) is a Christian liberal arts institution located in Cleveland, Georgia with both two and four year programs. The College is organized under the auspices of the Baptist Convention of the State of Georgia. The Georgia Baptist Convention elects the College’s Board of Trustees (the “Board”).

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

*1. Basis of Presentation*

The financial statements of the College have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Net assets and revenues, expenses, gains, and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the College and changes therein are classified and reported as follows:

**Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets consists of the following:

*Undesignated* – Represents net assets that are fully available, at the discretion of the College’s management and Board, to utilize in any of its programs or supporting services.

*Net investment in property and equipment* – Represents the investment by the College in land, buildings and equipment, net of depreciation and related indebtedness.

*Designated for capital improvements* – Represents net assets that have been designated by the Board of Trustees for future capital projects.

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or passage of time.

**Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that the College maintains them permanently. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Operating results in the statement of activities reflect all transactions increasing or decreasing net assets except those defined as non-operating. The College has defined non-operating activities principally to include endowment investment return net of amounts appropriated by the Board for expenditure to support operations, permanently restricted contributions and bequests added to the endowment or supporting major capital acquisition, net assets released from restrictions designated for capital expenditures, gains or losses on financial instruments and activity related to split interest agreements. Certain other gains and losses considered to be of a more unusual or non-recurring nature are also included as part of non-operating activities.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*2. Revenues and Expenses*

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Contributions with donor-imposed restrictions are reported as restricted support and added to temporarily or permanently restricted net assets, as appropriate. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Conditional pledges, if received, are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift as determined by independent appraisal or other valuation methods as deemed appropriate by management. Unconditional promises to give that are expected to be collected in future years are recorded at fair value which is measured at the present value of the future cash flows with discounts computed using risk-adjusted rates commensurate with the associated risk. Discounts on pledges receivable are amortized and recorded as additional contribution revenue in accordance with any donor-imposed restriction. An allowance for uncollectible pledges receivable is provided based upon management's judgment and consideration of various factors including prior collection history, type of contribution and nature of fund-raising activity.

Student tuition and fees are recorded as revenue during the year the related academic services are rendered. Tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

*3. Cash, Cash Equivalents, and Restricted Cash*

Cash and cash equivalents consist primarily of interest-bearing checking accounts, savings accounts and investments with original maturities of three months or less.

*4. Certificate of Deposit – Restricted*

Certificate of deposit – restricted represents a certificate held by a financial institution as collateral for a line of credit. See also note J.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*5. Investments and Fair Value Measurement of Financial Instruments*

Investments are valued at estimated fair value using valuation techniques that are appropriate to the investment. These methods are more fully disclosed in note F.

The College's investments consist of a pooled investment fund, real estate investments, and various marketable securities held at financial institutions. Investment earnings, including interest and dividend income and unrealized gains and losses, are recorded in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Changes in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is shown in the statements of activities as a component of investment return.

*6. Student Accounts Receivable*

Student accounts receivable includes amounts due from students for tuition and related fee revenue. Tuition and fees are due in full at the beginning of each semester. Unpaid amounts from prior semesters are considered past due and students are not allowed to register for classes until those amounts are paid or they have agreed to a payment plan. The College provides an allowance for doubtful accounts equal to the estimated uncollectible receivables based upon historical trends and specific account analysis.

*7. Property, Plant and Equipment*

Property, plant and equipment are stated at cost on the date of acquisition or at estimated fair value on the date of donation, if acquired as gifts, less accumulated depreciation. The College's policy is to capitalize assets with a useful life greater than one year and cost exceeding \$500. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Land is not subject to depreciation.

A summary of depreciable lives is as follows:

Buildings	20 – 50 years
Land improvements	20 – 30 years
Library books	20 years
Equipment and furnishings	5 – 20 years

Construction in progress consists of costs incurred related to the construction of campus buildings and facilities. Upon completion, the assets will be placed in service and depreciated in accordance with the preceding page.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*8. Deferred Revenue*

The College recognizes tuition and related fee revenue as it is earned by prorating the revenues over each calendar day within the semester. Unearned amounts are recorded as deferred revenue.

*9. Expense Allocation*

Costs related to the operation and maintenance of the physical plant, including depreciation of plant assets and interest expense, are allocated to program and supporting activities based upon the use of the facilities.

*10. Compensated Absences*

College policies allow full time employees from two to four weeks of vacation annually, based upon years of service. Up to five days of accrued vacation may be carried forward from one year to the next. A provision for unused vacation days has been included with accounts payable and accrued expenses in the statements of financial position.

*11. Management Estimates*

Management of the College has made certain estimates and assumptions related to the reporting of allowances for doubtful accounts, estimated lives of fixed assets, accrued expenses, present value of trusts, conditional asset retirement obligations, and allocation of functional expenses to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Actual results could differ from those estimates.

*12. Income Tax Status*

The College is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The College’s policy is to record a liability for any tax position taken that is beneficial to the College, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2014 and 2013, and accordingly, no liability has been accrued.

Generally, the Internal Revenue Service (the “IRS”) may examine a tax return for three years from the date it is filed. At June 30, 2014, tax years ended June 30, 2011, 2012 and 2013 remained open for possible examination by the IRS.

*13. Risk Management*

The College is exposed to risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions/ injuries to employees and students; natural disasters; and liability. The College carries commercial insurance for risks of loss.

*14. Reclassifications*

Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

**NOTE B – CONCENTRATIONS OF CREDIT RISK**

At times throughout the year, the College maintains deposits in excess of Federal Deposit Insurance Corporation (“FDIC”) coverage limits, which are \$250,000 per qualifying institution. The deposits are generally held by a combination of local and/or regional banks operating in Georgia. At June 30, 2014 and 2013, the College had approximately \$3,267,000 and \$3,308,000, respectively, of deposits in excess of FDIC coverage limits. Management and the Board have evaluated and accepted the risk associated with uninsured cash balances at these financial institutions.

**NOTE C – STUDENT ACCOUNTS RECEIVABLE**

Student accounts receivable at June 30, 2014 and 2013 is summarized as follows:

	<u>2014</u>	<u>2013</u>
Student accounts receivable	\$ 331,601	\$ 447,572
Less: allowance for doubtful accounts	<u>(129,700)</u>	<u>(113,769)</u>
Net student accounts receivable	<u>\$ 201,901</u>	<u>\$ 333,803</u>

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE D – INVESTMENTS**

The following is a summary of investments at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ -	\$ 8,377
Pooled investment fund	1,256,333	435,253
Land held for investment	152,889	152,889
Marketable securities:		
Domestic equity mutual funds	15,969	182,787
Fixed income mutual funds	-	471,033
International mutual funds	-	104,950
Total marketable securities	<u>15,969</u>	<u>758,770</u>
Total investments	<u>\$ 1,425,191</u>	<u>\$ 1,355,289</u>

The Board designates only a portion of the College’s cumulative investment return for support of current operations. The remainder is retained to support operations of future years and to offset potential market declines.

The following schedule summarizes the investment returns and their classifications in the statement of activities.

	<u>2014</u>	<u>2013</u>
Dividend and interest income	\$ 157,921	\$ 247,958
Net realized and unrealized gains (losses)	<u>279,594</u>	<u>192,868</u>
Total investment return	437,515	440,826
Less: investment return appropriated for current operations	<u>(83,407)</u>	<u>(86,274)</u>
Investment return net of amounts appropriated for current operations	<u>\$ 354,108</u>	<u>\$ 354,552</u>

Investment income is reported net of investment fees of \$17,219 and \$17,104 for the years ended June 30, 2014 and 2013, respectively.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE E – BENEFICIAL INTERESTS IN TRUSTS**

*Charitable Remainder Trusts*

The College is the beneficiary under several split-interest agreements, primarily charitable remainder annuity trusts and charitable remainder unitrusts where the College is not the trustee. Under these agreements, the College will receive the remaining assets of the trusts upon their expirations, normally coinciding with the death of the donor or other life income beneficiaries. Until that time, the donor or other life income beneficiaries receive the income from the trust. Beneficial interests in charitable remainder trusts are recorded at their fair values upon the establishment of the trusts, or when the College is notified that they are a beneficiary of a trust. The College recognizes contribution revenue in an amount equal to the fair value of the remainder interest at that time and adjusts the value of these trusts to fair value at the end of each year. Fair value is determined using discount rates and actuarial assumptions which consider the donor’s life expectancy and the rates that are typically earned on those type of investments.

*Perpetual Trusts*

The College is also the beneficiary of various perpetual trusts created by donors, the assets of which are not in possession of the College. Under the terms of the trusts, the College has a legally enforceable right or claim to receive income earned on the trust assets in perpetuity. The income distributed to the College from these trusts is available for general operations of the College or other restricted uses as specified by the donor. The College records its ownership percentage in these trusts on the statements of financial position at fair value of the assets held within the trusts.

Each year the College re-measures its beneficial interests in perpetual trusts at fair value with the corresponding net realized and unrealized gains and losses increasing or decreasing permanently restricted net assets. Distributions from the trusts are reported as investment income.

Funds held in trust by others consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Charitable remainder trusts	\$ 931,568	\$ 976,395
Beneficial interest perpetual trusts	<u>3,797,163</u>	<u>3,201,319</u>
	<u>\$ 4,728,731</u>	<u>\$ 4,177,714</u>

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE F – FAIR VALUE HIERARCHY**

Professional literature defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance states that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs classified within Levels I and II of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level III of the hierarchy).

Three levels of inputs may be used to measure fair value:

Level I - Quoted prices in active markets for identical assets or liabilities. Level I assets consist of mutual funds that are traded in an active exchange market.

Level II - Inputs other than quoted prices included in Level I that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means. Level II liabilities consist of an interest rate swap agreement, which is valued using a matrix pricing model which relies on certain assumptions regarding past, present and future market conditions.

Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level III assets consist of beneficial interests in trusts and a pooled investment fund held by others. The fair value is based on the value of the College's portion of the underlying investments using valuation methods that are appropriate for those investments as determined by the trustee.

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE F – FAIR VALUE HIERARCHY - Continued**

The following tables summarize the valuation of the College’s financial instruments as of June 30, 2014 and 2013 by the fair value hierarchy levels described on the previous page:

	Fair Value Measurement at June 30, 2014			
	Level I	Level II	Level III	Total
Domestic equity mutual funds	\$ 15,969	\$ -	\$ -	\$ 15,969
Pooled investment fund	-	-	1,256,333	1,256,333
Total investments required to be disclosed in the fair value hierarchy	15,969	-	1,256,333	1,272,302
Beneficial interests in trusts	-	-	4,728,731	4,728,731
	<u>\$ 15,969</u>	<u>\$ -</u>	<u>\$ 5,985,064</u>	<u>\$ 6,001,033</u>
Interest rate swap agreement	<u>\$ -</u>	<u>\$ (124,549)</u>	<u>\$ -</u>	<u>\$ (124,549)</u>
Investments required to be disclosed in the fair value hierarchy				\$ 1,272,302
Land held for investment				<u>152,889</u>
Total investments				<u>\$ 1,425,191</u>

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE F – FAIR VALUE HIERARCHY - Continued**

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Domestic equity mutual funds				
Growth funds	\$ 83,440	\$ -	\$ -	\$ 83,440
Value funds	83,996	-	-	83,996
Other	15,351	-	-	15,351
Fixed income mutual funds				
Short-term	79,512	-	-	79,512
Intermediate	391,521	-	-	391,521
International mutual funds	<u>104,950</u>	-	-	<u>104,950</u>
Total marketable securities	758,770	-	-	758,770
Pooled investment fund	<u>-</u>	<u>-</u>	<u>435,253</u>	<u>435,253</u>
Total investments required to be disclosed in the fair value hierarchy	758,770	-	435,253	1,194,023
Beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>4,177,714</u>	<u>4,177,714</u>
	<u>\$ 758,770</u>	<u>\$ -</u>	<u>\$ 4,612,967</u>	<u>\$ 5,371,737</u>
Interest rate swap agreement	<u>\$ -</u>	<u>\$ (180,933)</u>	<u>\$ -</u>	<u>\$ (180,933)</u>
Investments required to be disclosed in the fair value hierarchy				\$ 1,194,023
Cash and equivalents				8,377
Land held for investment				<u>152,889</u>
Total investments				<u>\$ 1,355,289</u>

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE F – FAIR VALUE HIERARCHY - Continued**

The following summarizes the College’s activities for investments and beneficial interests in charitable remainder trusts and perpetual trusts measured at fair value using Level III inputs as defined above for the years ended June 30, 2014 and 2013:

	2014			2013		
	Pooled investment fund	Beneficial interests in trusts	Total	Pooled investment fund	Beneficial interests in trusts	Total
Beginning balance	\$ 435,253	\$4,177,714	\$4,612,967	\$ 409,137	\$3,930,852	\$4,339,989
Transfers in	792,333	105,336	897,669	7,436	71,318	78,754
Change in donor intent	(29,636)	29,636	-	-	-	-
Net unrealized gains	<u>58,383</u>	<u>416,045</u>	<u>474,428</u>	<u>18,680</u>	<u>175,544</u>	<u>194,224</u>
Ending balance	<u>\$1,256,333</u>	<u>\$4,728,731</u>	<u>\$5,985,064</u>	<u>\$ 435,253</u>	<u>\$4,177,714</u>	<u>\$4,612,967</u>

*Valuation Techniques and Significant Inputs*

Level III includes the College’s funds held in trust. The fair value is based on the value of the College’s portion of the underlying investments in the trusts using valuation methods that are appropriate for those investments as determined by the trustee.

**NOTE G – ENDOWMENTS**

The College's endowment consists of 57 donor restricted funds established for scholarships and library maintenance. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The College has interpreted Georgia's adoption of the 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. The College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE G – ENDOWMENTS - Continued**

The remaining portion of the donor-restricted endowment fund in excess of the original fair value that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated by the Board for expenditure 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 endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of the College and the donor-restricted endowment 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; and
- 7) The investment policies of the College.

Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity. As of June 30, 2014 and 2013, there were no Board designated endowment funds. The College has adopted an investment policy for the endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to maximize the rate of return and preserve capital without undue risk.

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 broadly diversified asset allocation to achieve its long-term objectives with prudent risk restraints.

The Board does not have a fixed percentage spending policy in relation to endowment earnings. Earnings on donor-restricted funds are expended on a yearly basis in accordance with UPMIFA criteria, subject to donor intent. Additional earnings on the endowment are used for the operations of the College at the discretion of the Finance Committee of the Board. For the years ended June 30, 2014 and 2013, the College appropriated \$17,759 and \$30,876 for expenditure, respectively.

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 that are reported in unrestricted net assets were \$119,122 and \$138,796 as of June 30, 2014 and 2013, respectively. The deficiencies resulted from unfavorable market fluctuations that occurred over the past several years.

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE G – ENDOWMENTS - Continued**

Composition of, and changes in, donor-restricted endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	Year ended June 30, 2014			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$ (138,796)	\$ 41,199	\$ 1,236,614	\$ 1,139,017
Investment income	3,097	30,766	4,625	38,488
Net realized and unrealized gains	16,577	17,071	10,640	44,288
Contributions	-	-	11,558	11,558
Change in donor intent	-	-	(29,636)	(29,636)
Appropriation of endowment assets for expenditure	-	(17,759)	-	(17,759)
Endowment net assets, end of year	<u>\$ (119,122)</u>	<u>\$ 71,277</u>	<u>\$ 1,233,801</u>	<u>\$ 1,185,956</u>
	Year ended June 30, 2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ (152,463)	\$ 22,720	\$ 1,221,269	\$ 1,091,526
Investment (loss) income	(9,926)	32,255	3,389	25,718
Net realized and unrealized gains	23,593	17,100	4,320	45,013
Contributions	-	-	7,636	7,636
Appropriation of endowment assets for expenditure	-	(30,876)	-	(30,876)
Endowment net assets, end of year	<u>\$ (138,796)</u>	<u>\$ 41,199</u>	<u>\$ 1,236,614</u>	<u>\$ 1,139,017</u>

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE H – PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment at June 30, 2014 and 2013 is summarized as follows:

	<u>2014</u>	<u>2013</u>
Buildings	\$ 22,265,091	\$ 22,157,904
Construction in progress	1,163,363	803,825
Equipment and furnishings	5,136,913	4,859,063
Library books	769,193	769,193
Land improvements	1,027,660	900,372
Land	<u>4,934,086</u>	<u>4,892,086</u>
	35,296,306	34,382,443
Accumulated depreciation	<u>(10,922,143)</u>	<u>(9,864,349)</u>
	<u>\$ 24,374,163</u>	<u>\$ 24,518,094</u>

Depreciation expense charged to operations was \$1,057,794 and \$1,028,032 for the years ended June 30, 2014 and 2013, respectively, and was allocated as follows:

	<u>2014</u>	<u>2013</u>
Instruction	\$180,348	\$ 175,273
Academic support	58,624	56,975
Student services	112,524	109,358
Institutional support	110,934	107,813
Auxiliary enterprises	<u>595,364</u>	<u>578,613</u>
	<u>\$ 1,057,794</u>	<u>\$ 1,028,032</u>

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE I – CAPITAL LEASES, NOTES AND BONDS PAYABLE**

The College is obligated for capital leases, notes and bonds payable at June 30, 2014 and 2013, as follows:

	<u>2014</u>	<u>2013</u>
Bonds issued by the Downtown Development Authority of Cleveland and assigned to United Community Bank ("UCB"). Interest payable monthly at 65 percent of Prime Rate (2.11 percent at June 30, 2014). Principal payments due in variable amounts as specified in the bond agreement beginning August 1, 2008 with final payment due July 1, 2028. This bond is secured by an apartment complex owned by the College.	\$ 1,305,930	\$ 1,362,140
Bond issued by the Downtown Development Authority of Cleveland and assigned to Branch Banking and Trust Company ("BB&T"), secured by real property. Interest payable monthly at 68 percent of the one-month LIBOR Index plus 3.74 percent per annum (3.85 percent at June 30, 2014). Principal payments are due in variable amounts as specified in the bond agreement beginning April 1, 2012 with final payment due March 1, 2037.	7,888,897	8,132,032
Note payable to a bank, secured by real property, and payable in monthly installments of \$17,969, including interest at one-month LIBOR Index plus 3.25 percent per annum (3.41 percent at June 30, 2014), beginning April 22, 2013 with final payment due March 22, 2018.	762,959	954,537
Note payable to a bank, secured by real property, and payable in semi-annual installments of \$33,879, including interest at 4.5 percent per annum, beginning September 1, 2013 with final payment due March 1, 2018.	<u>241,029</u>	<u>300,000</u>
Total notes and bonds payable	<u>\$10,198,815</u>	<u>\$10,748,709</u>
Various capital leases for the acquisition of computer equipment and software. Final payments under these leases were due October 2013, were secured by the equipment and software and include imputed interest at rates ranging from 7.80 to 11.34 percent.	<u>\$ -</u>	<u>\$ 7,888</u>

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE I – CAPITAL LEASES, NOTES AND BONDS PAYABLE - Continued**

Terms of the various debt agreements require the College to maintain the following: 1) a debt service coverage ratio of at least 1.5; 2) tangible net assets of at least \$17,500,000; 3) minimum liquidity of at least \$2,500,000; and 4) a ratio of indebtedness to tangible net assets of at most 0.75. As of June 30, 2014 and 2013, the College was in compliance with each of these debt covenants.

The carrying value of the bonds payable approximates fair value. There is no significant difference between the carrying value and fair value of the notes payable and capital leases due to the magnitude of the instruments and the short remaining duration of the obligations.

Maturities due within the next five years and thereafter are as follows:

<u>Year ending June 30,</u>	<u>Total</u>
2015	\$ 564,058
2016	580,277
2017	601,422
2018	576,842
2019	359,385
Thereafter	<u>7,516,831</u>
	<u>\$ 10,198,815</u>

Interest expense charged to operations was \$354,374 and \$360,333 for the years ended June 30, 2014 and 2013, respectively, and was allocated as follows:

	<u>2014</u>	<u>2013</u>
Instruction	\$ 60,419	\$ 61,435
Academic support	19,640	19,970
Student services	37,697	38,331
Institutional support	37,164	37,789
Auxiliary enterprises	<u>199,454</u>	<u>202,808</u>
	<u>\$ 354,374</u>	<u>\$ 360,333</u>

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE J – LINES OF CREDIT**

The College maintains two line of credit agreements with local banks. The total amount available under the line with BB&T, which is secured by campus buildings and land, was reduced from \$2,500,000 to \$1,500,000 effective March 22, 2013. Outstanding balances at June 30, 2014 and 2013 were \$1,412,283 and \$1,361,414, respectively. Interest is payable monthly at a rate of 4.5 percent plus the one-month LIBOR Index. The outstanding principal and any remaining interest are due October 30, 2014. Terms of the agreement require the College to maintain a debt service coverage ratio of at least 1.3. As of June 30, 2014, the College was in compliance with the covenant.

During the year ended June 30, 2014, the College entered into a loan agreement with UCB which operates as a line of credit, with \$475,000 of funds available to be drawn. This line is secured by a certificate of deposit held with UCB, which was opened by the College to serve as collateral. The outstanding balance at June 30, 2014 was \$128,896, with interest payable monthly at a rate of 2.3 percent. The outstanding principal and any remaining interest are due November 20, 2015. Terms of the agreement require the College to maintain a debt service coverage ratio of at least 1.5, tangible net assets of at least \$17,500, minimum liquidity of at least \$2,500,000, and a ratio of indebtedness to tangible net assets of at most 0.75. As of June 30, 2014, the College was in compliance with these covenants.

**NOTE K – INTEREST RATE SWAP AGREEMENT**

The College is party to an interest rate swap agreement which manages the interest rate risk of its bond payable. An interest rate swap is defined in professional literature as a derivative instrument and is an agreement between counterparties to exchange periodic interest payments based on specific interest rate differentials applied to a specific notional amount. A swap allows one party to effectively change the interest rate structure of a debt obligation through the exchange markets and simultaneously hedge unwanted risk. At June 30, 2014 and 2013, the College held an outstanding interest rate swap with a notional amount of \$4,218,179 and \$4,345,627, respectively, which swapped its variable interest rate based on a percentage of LIBOR for a fixed rate of 3.75 percent on such notional amount. The interest rate swap agreement expires on March 1, 2016. The estimated fair value of the interest rate swap agreement at June 30, 2014 and 2013 was a liability of \$124,549 and \$180,933, respectively, which was the estimated amount the College would have to pay to terminate the interest rate swap at interest rates in effect at the time. The change in the value of the interest rate swap agreement for the years ended June 30, 2014 and 2013 of \$(56,384) and \$(69,126), respectively, is reported as a separate line item on the statement of activities.

**NOTE L – CONDITIONAL ASSET RETIREMENT OBLIGATION**

The conditional asset retirement obligation relates to the estimated costs to remove asbestos and underground storage tanks at the College. This liability was recorded in a prior year in accordance with professional standards.

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE L – CONDITIONAL ASSET RETIREMENT OBLIGATION - Continued**

Changes in the conditional asset retirement obligation during the years ended June 30, 2014 and 2013 are as follows:

Balance at June 30, 2012	\$ 220,822
Accretion expense	<u>618</u>
Balance at June 30, 2013	221,440
Accretion expense	<u>651</u>
Balance at June 30, 2014	<u><u>\$ 222,091</u></u>

**NOTE M – OPERATING LEASES**

The College has entered into various operating leases for the use of equipment. During the years ended June 30, 2014 and 2013, lease expense totaling \$48,535 and \$46,883, respectively, was incurred under operating leases. Remaining payments under non-cancellable operating leases are as follows:

<u>Year ended June 30,</u>	
2015	\$ 78,103
2016	75,715
2017	35,606
2018	<u>1,894</u>
	<u><u>\$ 191,318</u></u>

**NOTE N – NET ASSETS**

Temporarily restricted net assets were available for the following purposes at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Time restricted for use in future periods	\$ 728,810	\$ 822,080
Capital improvements	43,920	-
Scholarships and loans	232,880	86,967
Instruction and other support	<u>96,669</u>	<u>196,182</u>
	<u><u>\$ 1,102,279</u></u>	<u><u>\$ 1,105,229</u></u>

Truett-McConnell College

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE N – NET ASSETS - Continued**

Net assets were released from restriction due to the passage of time or satisfaction of purpose restrictions for the years ended June 30, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Satisfaction of time restrictions	\$ 131,414	\$ -
Satisfaction of program restrictions		
Expended for scholarships and loans	367,108	167,301
Expended for instruction and other support	<u>196,643</u>	<u>299,176</u>
	563,751	466,477
Expended for capital improvements	<u>171,747</u>	<u>145,120</u>
	<u>\$ 866,912</u>	<u>\$ 611,597</u>

Permanently restricted net assets consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Invested endowment funds	\$ 1,233,801	\$ 1,236,614
Receivable from charitable remainder trusts	202,757	154,314
Beneficial interests in perpetual trusts	3,672,163	3,201,319
Other	<u>2,106</u>	<u>4,715</u>
	<u>\$ 5,110,827</u>	<u>\$ 4,596,962</u>

Earnings on these permanently restricted net assets are available for student aid, general and instructional purposes.

**NOTE O – RETIREMENT PLAN**

The College maintains a retirement plan covering substantially all full-time employees. The plan is a defined contribution plan allowed by Section 403(b) of the Code. The College contributes seven percent of an eligible participant's compensation to the plan. Contributions are used to purchase individual retirement annuities for participants. Eligible participants can also elect to contribute additional amounts for their benefit. The amount of employer contributions provided under the plan was \$267,740 and \$243,207 for the years ended June 30, 2014 and 2013, respectively.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE P – COMMITMENTS AND CONTINGENCIES**

*Capital Building Campaign*

As part of a capital building campaign started in May of 2014, the College received commitments of \$150,000 and \$50,000 to provide in-kind goods and services for the construction of a new student recreation center. As the provision of such goods and services is contingent upon the construction of the building, no amount has been recorded in these financial statements for such commitments.

*Financial Aid*

Certain federally funded financial aid programs are routinely subject to special audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the auditors for the College, are required to be submitted to both the College and the U.S. Department of Education. This agency has the authority to determine liabilities as well as to limit, suspend, or terminate federal student aid programs.

These audits could result in claims against the resources of the College. No provision has been recorded for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

A significant number of students attending the College receive financial assistance from U.S. Government student financial aid programs. These programs require the College to comply with recordkeeping, eligibility and other requirements. Failure to comply with such U.S. Government requirements could result in the loss of U.S. Government financial assistance to College students and adversely impact the operations of the College.

*Food Service Contracts*

Effective June 1, 2010, the College terminated a food services agreement with Aramark Educational Services, Inc. and entered into a contract, expiring May 31, 2015, with Chartwells, Inc. (“Chartwells”) to provide these services. As part of the termination agreement, Chartwells paid Aramark \$92,000 to buy-out the College’s remaining unamortized commitment for improvements Aramark had made to the College’s dining facility. In addition to this buy-out, Chartwells has made additional capital improvements to the dining hall over the years totaling approximately \$1,198,000. These investments in the dining facility by Chartwells, totaling \$1,290,000, are being amortized over 10 years in accordance with the terms of the agreements. If the contract with Chartwells is terminated prior to full amortization of these investments, the College will be obligated to repay a pro-rated amount for these investments as defined in the agreements. At June 30, 2014 and 2013, the unamortized liability related to this contract was \$920,667 and \$1,049,667 and was included in accounts payable and accrued expenses on the statements of financial position. The College recognized \$129,000 as a reduction of expense during the years ended June 30, 2014 and 2013 related to the amortization of this liability.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE Q – FUNDRAISING EXPENSE**

Expenses are reported in the statements of activities in categories recommended by the National Association of College and University Business Officers. The College's primary program service is instruction. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of this primary program service. Institutional support includes fundraising expenses of \$156,905 and \$241,938 in 2014 and 2013, respectively.

**NOTE R – RELATED PARTY TRANSACTIONS**

The College is organized under the auspices of the Baptist Convention of the State of Georgia (the "Convention"). The Convention, a related party, elects the College's Board of Trustees as well as provides significant funding for operations. During the year ended June 30, 2013, the Convention donated to the College 78.1 acres of the College's campus, valued at approximately \$1,124,640. This was the final installment of a multi-year donation to the College. During 2014 and 2013, in addition to the land donation, the Convention made cash contributions to the College in the amounts of \$1,000,362 and \$914,112, respectively, which includes annual appropriations, student support and contributions for capital improvements. Included with other receivables at June 30, 2014 and 2013 was \$63,798 and \$65,812, respectively, due from the Convention for the remaining budgeted balance of annual appropriations and student support. This amount was received by the College subsequent to year-end.

The Georgia Baptist Foundation (the "Foundation"), another related party, provides investment services for the College. At June 30, 2014 and 2013, the Foundation held in trust for the benefit of the College \$3,824,625 and \$2,537,063, respectively. Earnings on funds held in trust by the Foundation amounted to net gains of \$333,633 and \$197,599, for 2014 and 2013, respectively. During the years ended June 30, 2014 and 2013, the Foundation made distributions to the College of \$67,055 and \$96,723, respectively.

**NOTE S – SUBSEQUENT EVENTS**

The College has evaluated subsequent events through November 7, 2014, the date of this report, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued, and no other items were noted.