

2015 ANNUAL REPORT
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2015

AUDITS
BREWTON-PARKER COLLEGE



Financial Statements and Independent Auditors' Report



Brewton-Parker College

June 30, 2015 and 2014



FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

BREWTON-PARKER COLLEGE

June 30, 2015 and 2014

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Independent Auditors' Report

Board of Trustees
Brewton-Parker College

We have audited the accompanying financial statements of Brewton-Parker College which comprise the statements of financial position as of June 30, 2015 and 2014, 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 Brewton Parker College as of June 30, 2015 and 2014, and the change 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.

Metcalf Davis

Atlanta, Georgia
October 13, 2015

Brewton-Parker College

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 1,645,164	\$ 1,160,521
Student receivables, net	1,312,085	1,091,921
Receivable from the Georgia Baptist Convention	88,664	132,588
Receivable from the Georgia Baptist Foundation	40,659	45,296
Contributions receivable, net	234,933	64,820
Other assets	139,216	214,415
Investments	11,186,347	11,896,092
Assets limited to use	-	1,058,840
Funds held in trust by the Georgia Baptist Foundation	902,129	1,514,360
Property, plant and equipment, net	<u>11,261,424</u>	<u>11,692,913</u>
	<u>\$ 26,810,621</u>	<u>\$ 28,871,766</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 485,635	\$ 475,296
Unearned revenues	116,390	71,690
Refundable advances from the Federal government	241,464	261,024
Notes and bonds payable	<u>10,548,648</u>	<u>10,717,066</u>
Total liabilities	11,392,137	11,525,076
Commitments and contingencies (notes B, N and P)		
NET ASSETS		
Unrestricted	6,555,181	697,785
Temporarily restricted	1,188,580	2,735,828
Permanently restricted	<u>7,674,723</u>	<u>13,913,077</u>
	<u>15,418,484</u>	<u>17,346,690</u>
	<u>\$ 26,810,621</u>	<u>\$ 28,871,766</u>

The accompanying notes are an integral part of these statements.

Brewton-Parker College

STATEMENT OF ACTIVITIES

Year ended June 30, 2015
(with comparative totals for 2014)

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
Operating revenue and gains					
Tuition and fees	\$ 6,325,676	\$ -	\$ -	\$ 6,325,676	\$ 7,154,494
Less: financial assistance	<u>(3,218,878)</u>	<u>-</u>	<u>-</u>	<u>(3,218,878)</u>	<u>(3,734,556)</u>
Net tuition and fees	3,106,798	-	-	3,106,798	3,419,938
Private gifts and grants	1,360,515	169,816	-	1,530,331	2,133,485
Investment return appropriated for operating activities	112,504	620,867	-	733,371	724,368
Government grants and contracts	167,191	-	-	167,191	212,026
Sales and services of auxiliary enterprises	2,238,528	-	-	2,238,528	2,790,291
Other sources	98,030	12,146	-	110,176	189,041
Net assets released from restrictions:					
Change in donor intent for operations	468,471	-	(468,471)		
Satisfaction of program restrictions	<u>2,008,091</u>	<u>(2,008,091)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenue and gains	9,560,128	(1,205,262)	(468,471)	7,886,395	9,469,149
Operating expenses					
Instructional	2,363,810	-	-	2,363,810	2,250,707
Academic support	693,530	-	-	693,530	976,428
Student services	2,361,216	-	-	2,361,216	2,460,244
Institutional support	2,298,024	-	-	2,298,024	2,188,425
Auxiliary enterprises	<u>1,590,529</u>	<u>-</u>	<u>-</u>	<u>1,590,529</u>	<u>1,714,725</u>
Total operating expenses	<u>9,307,109</u>	<u>-</u>	<u>-</u>	<u>9,307,109</u>	<u>9,590,529</u>
Change in net assets from operations	253,019	(1,205,262)	(468,471)	(1,420,714)	(121,380)
Non-operating activities					
Private gifts and grants	-	171,613	225	171,838	17,703
Investment returns net of amounts appropriated for operations	-	(508,295)	1,021	(507,274)	921,412
Net gain on funds held in trust	-	-	37,944	37,944	79,190
Net assets released from restrictions:					
Capital acquisitions	5,304	(5,304)	-	-	-
Change in donor intent	5,809,073	-	(5,809,073)	-	-
Loss on contract termination	(210,000)	-	-	(210,000)	-
Debt forgiveness	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,305,910</u>
Change in net assets from non-operating activities	<u>5,604,377</u>	<u>(341,986)</u>	<u>(5,769,883)</u>	<u>(507,492)</u>	<u>3,324,215</u>
Change in net assets	5,857,396	(1,547,248)	(6,238,354)	(1,928,206)	3,202,835
Net assets at beginning of year	<u>697,785</u>	<u>2,735,828</u>	<u>13,913,077</u>	<u>17,346,690</u>	<u>14,143,855</u>
Net assets at end of year	<u>\$ 6,555,181</u>	<u>\$ 1,188,580</u>	<u>\$ 7,674,723</u>	<u>\$ 15,418,484</u>	<u>\$ 17,346,690</u>

The accompanying notes are an integral part of these statements.

Brewton-Parker College

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	2014 Total
Operating revenue and gains				
Tuition and fees	\$7,154,494	\$ -	\$ -	\$ 7,154,494
Less: financial assistance	<u>(3,734,556)</u>	<u>-</u>	<u>-</u>	<u>(3,734,556)</u>
Net tuition and fees	3,419,938	-	-	3,419,938
Private gifts and grants	1,842,775	290,710	-	2,133,485
Investment return appropriated for operating activities	28,771	695,597	-	724,368
Government grants and contracts	212,026	-	-	212,026
Sales and services of auxiliary enterprises	2,790,291	-	-	2,790,291
Other sources	177,249	11,792	-	189,041
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>1,306,901</u>	<u>(1,306,901)</u>	<u>-</u>	<u>-</u>
Total operating revenue and gains	9,777,951	(308,802)	-	9,469,149
Operating expenses				
Instructional	2,250,707	-	-	2,250,707
Academic support	976,428	-	-	976,428
Student services	2,460,244	-	-	2,460,244
Institutional support	2,188,425	-	-	2,188,425
Auxiliary enterprises	<u>1,714,725</u>	<u>-</u>	<u>-</u>	<u>1,714,725</u>
Total operating expenses	<u>9,590,529</u>	<u>-</u>	<u>-</u>	<u>9,590,529</u>
Change in net assets from operations	187,422	(308,802)	-	(121,380)
Non-operating activities				
Private gifts and grants	-	-	17,703	17,703
Investment returns net of amounts appropriated for operations	-	777,164	144,248	921,412
Net gain on funds held in trust	59,056	-	20,134	79,190
Net assets released from restrictions:				
Capital acquisitions	29,655	(29,655)	-	-
Debt forgiveness	<u>2,305,910</u>	<u>-</u>	<u>-</u>	<u>2,305,910</u>
Change in net assets from non-operating activities	<u>2,394,621</u>	<u>747,509</u>	<u>182,085</u>	<u>3,324,215</u>
Change in net assets	2,582,043	438,707	182,085	3,202,835
Net assets at beginning of year	<u>(1,884,258)</u>	<u>2,297,121</u>	<u>13,730,992</u>	<u>14,143,855</u>
Net assets at end of year	<u>\$ 697,785</u>	<u>\$ 2,735,828</u>	<u>\$ 13,913,077</u>	<u>\$ 17,346,690</u>

The accompanying notes are an integral part of this statement.

Brewton-Parker College

STATEMENTS OF CASH FLOWS

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Change in net assets	\$ (1,928,206)	\$ 3,202,835
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	533,769	545,556
Decrease in provision for uncollectible receivables	200,374	92,001
Contributions restricted to long-term investment	(225)	(17,703)
Net unrealized and realized gains on investments	(9,606)	(1,276,725)
Net unrealized and realized gains on funds held in trust	(37,944)	(79,190)
Gain on disposal of property, plant, and equipment	(81,079)	-
Gain from debt forgiveness	-	(2,305,910)
Change in assets and liabilities:		
Student receivables	(420,538)	(175,876)
Receivable from the Georgia Baptist Convention	43,924	23,220
Receivable from the Georgia Baptist Foundation	4,637	9,004
Contributions receivable	(170,113)	(26,376)
Other assets	75,199	4,635
Assets limited to use	1,058,840	-
Accounts payable and accrued expenses	10,339	(375,963)
Unearned revenues	<u>44,700</u>	<u>2,840</u>
Net cash used in operating activities	(675,929)	(377,652)
Cash flows from investing activities		
Proceeds from sale of investments	4,375,959	2,603,228
Purchase of investments	(3,006,433)	(2,371,130)
Proceeds from sale of property, plant and equipment	121,236	-
Purchase of property, plant and equipment	<u>(142,437)</u>	<u>(239,096)</u>
Net cash provided by (used in) investing activities	1,348,325	(6,998)
Cash flows from financing activities		
Contributions restricted to long-term investment	225	17,703
Proceeds from issuance of notes payable	31,134	70,728
Payments on notes payable	(199,552)	(72,447)
Decrease in advances from Federal government for student loans	<u>(19,560)</u>	<u>(7,052)</u>
Net cash (used in) provided by financing activities	<u>(187,753)</u>	<u>8,932</u>
Net increase (decrease) in cash and cash equivalents	484,643	(375,718)
Cash and cash equivalents at beginning of year	<u>1,160,521</u>	<u>1,536,239</u>
Cash and cash equivalents at end of year	<u>\$ 1,645,164</u>	<u>\$ 1,160,521</u>
<u>Cash paid during the year for Interest</u>	<u>\$ 403,641</u>	<u>\$ 465,626</u>
<u>Noncash financing activities: Debt forgiveness</u>	<u>\$ -</u>	<u>\$ 2,305,910</u>

The accompanying notes are an integral part of these statements.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brewton-Parker College (the “College”), founded in 1904, is a co-educational senior college owned by and operated under the direction of the Executive Committee of the Georgia Baptist Convention (the “Convention”). The Convention elects a Board of Trustees (the “Board”), which is empowered to operate the College for the Convention.

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

1. Basis of Presentation

The College classifies its net assets and revenues, expenses, and gains and losses 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.

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 or law.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the College maintains 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 statements 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 (loss), net of amounts appropriated by the Board for expenditure to support operations in accordance with the endowment spending policy, 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.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Revenues

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.

Student tuition and fees are recorded as revenue during the year the related academic services are rendered.

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. 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 contributions receivable are recorded as additional contribution revenue in accordance with any donor-imposed restriction. An allowance for uncollectible contributions receivable is provided based upon management's judgment and consideration of various factors including prior collection history, type of contribution and nature of fundraising activity.

Contributed services which meet the criteria for recognition under generally accepted accounting principles in the United States of America ("GAAP") are recorded at fair value at the date of the gift. Contributed services are recorded by the College as contributions and expenses. They include those services that require specialized skills and would otherwise be purchased by the College if not donated.

The College receives a substantial amount of other services donated by many individuals to successfully carry out its mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under GAAP.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of interest bearing checking accounts, savings accounts and investments with original maturity of three months or less. Money market funds and certificates of deposits with a maturity of greater than three months are classified as investments.

4. Investments and Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, student receivables, contributions receivable, other assets, accounts payable, accrued expenses, deferred revenue and line of credit approximates fair value because of the terms and relatively short maturity of these financial instruments. The fair value of investments is based upon quoted market values or values provided by external investment managers, which are evaluated by College management. Fair value disclosures for other financial instruments are disclosed in other footnotes.

The College's investments consist of 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. Marketable securities are exposed to various risks. Due to the level of uncertainty related to changes in market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the statement of activities. However, management believes the diversification of invested assets among various equities should mitigate the impact from a dramatic change of any one security.

Net appreciation (depreciation) 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 statement of activities as a component of investment return.

5. Refundable Advances from Federal Government for Perkins Loans

The College owns approximately a one-tenth interest in the Federal Perkins Loan Program. The remaining nine-tenths is distributable to the Federal government upon liquidation of the program.

6. Other Assets

Other assets include bond issue costs which are capitalized and amortized over the term of the bonds and other prepaid expenses.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 capitalizes property, plant, and equipment with a value in excess of \$2,500 and an estimated useful life in excess of one year. Depreciation of property, plant and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. A summary of depreciable lives follows:

Buildings, residences and other structures	40 years
Improvements, other than buildings	5-25 years
Equipment and other	5 years

Land is not subject to depreciation.

8. Student Receivables

Student receivables include accounts receivable for tuition and related fee revenue from current and prior periods as well as institutional student loans receivable and amounts receivable from students under the Federal Perkins Loan Program. The College provides an allowance for doubtful accounts equal to the estimated uncollectible receivables. The estimate is based on historical collection experience and a review of the current status of student receivables. Receivables are written off when management believes they will not be collected. Unpaid amounts from prior semesters are considered past due.

9. Unearned 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 revenue is recorded as deferred revenue. The College records tuition receivable and related unearned revenue at the time each installment is billed.

10. Accrued Compensation

The College accrues for instructional salaries paid subsequent to the end of the period but earned during the most recently ended period.

11. Allocation of Functional Expenses

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.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. 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, and deferred compensation to prepare the financial statements in conformity with GAAP. Actual results could differ from those estimates.

13. 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.

14. 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; material disasters; and liability which it manages through commercial insurance.

15. Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the remaining notes which follow.

NOTE B – BUSINESS CONTINUATION PLAN

As a result of many financial factors that affected both potential students and donors, the College experienced significant unrestricted operating losses during the six years ended June 30, 2013. In counteracting these losses, the College took specific steps that resulted in a positive change in unrestricted net assets from operations totaling \$253,079 and \$187,422 for the year ended June 30, 2015 and June 30, 2014, respectively.

These positive results were in large part the result of the College, during 2014, taking an intentional approach to addressing their most urgent needs including: (1) introducing a new level of fiscal responsibility by naming a new Chief Financial Officer who has many years of experience in working with the College and had recently been conferred the degree Doctorate of Accountancy, (2) implementing a conservative budgeting process that maintains expenses at an appropriate level and provides for reasonable enrollment growth, (3) increasing fund raising efforts with alumni, previous donors, and others within the local community and throughout the region.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE B – BUSINESS CONTINUATION PLAN - Continued

The College's unrestricted net asset position was also enhanced during the 2014 and 2015 years by certain one time events including: changes in donor intent that allowed previous permanently restricted endowments, totaling in excess of \$6,200,000, to be reclassified for unrestricted operational use; and a debt restructuring agreement that included debt forgiveness of approximately \$2,306,000.

As a result of positive operations and one time events described above, in 2015, the College was reaccredited by the Southern Association of Colleges and Schools, Commission on Colleges and was able to demonstrate that it now meets Department of Education financial responsibility standards.

Moving forward, the College's strategic plan includes continuing oversight of expenses, increased revenue from tuition and fees, and new streams of revenue that will enhance the already-balanced budget. These new initiatives, which are believed by management to be both modest and attainable, include:

- Increasing tuition and fees revenue each year for the next five years through a combination of increased enrollment, increased tuition rates and decreased reliance upon unfunded financial assistance.
- Continued expansion of programs that allow high school students to receive college credits for coursework taken through the College.
- Launching of the College's first online program, which, while only offering core courses at first, is expected to increase enrollment by 25 students.
- Continue steps to obtain accreditation with TRACS.
- Reduce debt through repayment and refinancing options.
- Refocused fundraising efforts.

College management is confident that these plans and completed actions noted above will allow the institution to continue providing educational opportunities for students as a viable organization through fiscal year 2016 and beyond.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE C – CONCENTRATION 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 for each bank. The deposits are generally held by a combination of local and/or regional banks operating in Georgia. At June 30, 2015 and 2014, the College had approximately \$1,359,000 and \$1,676,000, respectively in deposits in excess of FDIC coverage limits. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE D – STUDENT RECEIVABLES

Student receivables at June 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Student accounts receivable	\$ 1,581,294	\$ 1,106,034
Other student receivables	184,700	220,845
Federal Perkins Loan Program	<u>228,767</u>	<u>247,344</u>
	1,994,761	1,574,223
Less: allowance for doubtful accounts	<u>(682,676)</u>	<u>(482,302)</u>
Student receivables, net	<u>\$ 1,312,085</u>	<u>\$ 1,091,921</u>

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 a payment plan is agreed to with the business office. Periodically throughout the year student payment activity, enrollment status, and other known student information is evaluated in determining which accounts should be written off.

The following table details the credit risk profiles of the Federal Perkins Loan receivable based on payment activity as of June 30, 2015 and 2014 using the Department of Education reporting standards for the Perkins Loan Program. Loans are considered nonperforming if they are more than 270 days past due:

	<u>2015</u>	<u>2014</u>
Federal Perkins Loan receivable:		
Performing	\$ 117,887	\$ 130,539
Nonperforming	<u>110,880</u>	<u>116,805</u>
Total student notes receivable	<u>\$ 228,767</u>	<u>\$ 247,344</u>

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE D – STUDENT RECEIVABLES – Continued

The following table provides an analysis of the aging of the past due Federal Perkins Loan receivable as of June 30, 2015 and 2014:

	<u><270 Days past due</u>	<u>270 Days - 2 years past due</u>	<u>2-5 Years past due</u>	<u>>5 Years past due</u>	<u>Total past due</u>	<u>Current</u>	<u>Total Federal Perkins Loan Receivable</u>
June 30, 2015	\$ 21,889	14,782	94,098	2,000	\$ 132,769	95,998	\$ 228,767
June 30, 2014	\$ 16,589	14,987	100,128	1,690	\$ 133,394	113,950	\$ 247,344

NOTE E – INVESTMENTS

The fair value of the College’s investments at June 30, 2015 and 2014 by class of investment is as follows:

	<u>2015</u>	<u>2014</u>
Marketable securities:		
Domestic equity mutual funds	\$ 3,085,017	\$ 5,525,553
Fixed income mutual funds	2,233,165	1,303,069
International equity mutual funds	1,486,647	679,443
Corporate notes and bonds	242,594	248,931
Municipal bonds	142,788	195,922
Common stocks	<u>3,454,746</u>	<u>3,478,959</u>
Total marketable securities	10,644,957	11,431,877
Money market funds	<u>541,390</u>	<u>464,215</u>
Total investments	<u>\$ 11,186,347</u>	<u>\$ 11,896,092</u>

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE E – INVESTMENTS - Continued

The following summarizes the College’s total investment return, net of investment management expenses of \$44,746 and \$59,459, and its classification in the statement of activities for the years ended June 30, 2015 and 2014, respectively:

	June 30, 2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Dividend and interest income	\$ 112,504	\$ 103,987	\$ -	\$ 216,491
Net realized gains	-	543,362	-	543,362
Net unrealized gains	-	(534,777)	1,021	(533,756)
Total investment returns	112,504	112,572	1,021	226,097
Less investment returns appropriated for operating activities	(112,504)	(620,867)	-	(733,371)
Investment returns, net of amounts appropriated for current operations	<u>\$ -</u>	<u>\$ (508,295)</u>	<u>\$ 1,021</u>	<u>\$ (507,274)</u>
	June 30, 2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Dividend and interest income	\$ 28,771	\$ 303,057	\$ 37,227	\$ 369,055
Net realized gains	-	232,659	14,641	247,300
Net unrealized gains	-	937,045	92,380	1,029,425
Total investment returns	28,771	1,472,761	144,248	1,645,780
Less investment returns appropriated for operating activities	(28,771)	(695,597)	-	(724,368)
Investment returns, net of amounts appropriated for current operations	<u>\$ -</u>	<u>\$ 777,164</u>	<u>\$ 144,248</u>	<u>\$ 921,412</u>

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE F – FUNDS HELD IN TRUST

The College is the beneficiary of various perpetual trusts created by donors, the assets of which are held in trust by the Foundation. 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 or other restricted uses as specified by the donor. The College records its ownership percentage in these trusts on the statement of financial position at fair value of the assets held within the trusts. All net realized and unrealized gains and losses are reported on the statements of activities as permanently restricted income based on the interpretation that under Georgia law appreciation in such funds is not available for expenditure by the College unless the separate trustees of those funds decide to appropriate it.

Funds held in trust by the Foundation are recorded at fair value as of June 30, 2015 and 2014 and consisted of the following:

	<u>2015</u>	<u>2014</u>
Georgia Baptist Foundation Scholarship	\$ 42,642	\$ 43,055
General endowment trusts	840,798	795,317
Scholarship endowments	12,194	12,312
Other gifts	<u>6,495</u>	<u>663,676</u>
	<u>\$ 902,129</u>	<u>\$ 1,514,360</u>

NOTE G – CHARITABLE GIFT ANNUITIES

From time-to-time the College is the recipient of charitable gift annuities. The assets are recorded at fair market value on the date of donation with a corresponding liability for payments to be made to the donor over the term of the agreement. The liability is determined using actuarial methods which consider the life expectancy of the donor and the rate expected to be earned on the donated assets and is amortized over the term of the agreement using the effective interest method. Discount rates range from four to six percent.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE H – FAIR VALUE MEASUREMENTS

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 – Unadjusted quoted prices in active markets for identical assets or liabilities. Level I assets and liabilities include debt and equity securities 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 or liabilities, 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. This category generally includes certain fixed income mutual funds along with corporate and municipal debt securities.

Level III – Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the College's assumptions based on the best information available in the circumstances. This category includes funds held in trust that are based on the values of the underlying investments in the trust which are established by the trustee using valuation methods that are appropriate for the investments in the trusts.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE H – FAIR VALUE MEASUREMENTS - Continued

The following table summarizes the valuation of the College’s financial instruments as June 30, 2015 and 2014 by the fair value hierarchy levels described above:

	Level I	Level II	Level III	Year ended June 30, 2015
Marketable securities:				
Domestic equity mutual funds	\$ 3,085,017	\$ -	\$ -	\$ 3,085,017
Fixed income mutual funds	2,138,656	94,509	-	2,233,165
International equity mutual funds	1,486,647	-	-	1,486,647
Corporate notes and bonds	-	242,594	-	242,594
Municipal bonds	-	142,788	-	142,788
Common stocks				
Consumer discretionary	186,999	-	-	186,999
Consumer staples	1,198,300	-	-	1,198,300
Energy	269,125	-	-	269,125
Financials	412,863	-	-	412,863
Healthcare industry	351,512	-	-	351,512
Industrial	227,230	-	-	227,230
Information technology	336,715	-	-	336,715
Materials	16,926	-	-	16,926
Telecommunication services	151,468	-	-	151,468
Utilities	34,559	-	-	34,559
Exchange traded funds	269,049	-	-	269,049
Total marketable securities	10,165,066	479,891	-	10,644,957
Funds held in trust	-	-	902,129	902,129
	<u>\$ 10,165,066</u>	<u>\$ 479,891</u>	<u>\$ 902,129</u>	<u>\$ 11,547,086</u>
Investments required to be disclosed in the fair value hierarchy				\$ 10,644,957
Cash and cash equivalents				<u>541,390</u>
Total investments				<u>\$ 11,186,347</u>

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE H – FAIR VALUE MEASUREMENTS - Continued

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Year ended June 30, 2014</u>
Marketable securities:				
Domestic equity mutual funds	\$5,525,553	\$ -	\$ -	\$ 5,525,553
Fixed income mutual funds	1,207,570	95,499	-	1,303,069
International equity mutual funds	679,443	-	-	679,443
Corporate notes and bonds	-	248,931	-	248,931
Municipal bonds	-	195,922	-	195,922
Common stocks				
Consumer discretionary	109,199	-	-	109,199
Consumer staples	1,512,499	-	-	1,512,499
Energy	255,727	-	-	255,727
Financials	327,249	-	-	327,249
Healthcare industry	250,492	-	-	250,492
Industrial	338,307	-	-	338,307
Information technology	270,413	-	-	270,413
Materials	118,238	-	-	118,238
Telecommunication services	89,181	-	-	89,181
Utilities	120,504	-	-	120,504
Services	87,150	-	-	87,150
Total marketable securities	10,891,525	540,352	-	11,431,877
Funds held in trust	-	-	1,514,360	1,514,360
	<u>\$ 10,891,525</u>	<u>\$ 540,352</u>	<u>\$ 1,514,360</u>	<u>\$ 12,946,237</u>
Investments required to be disclosed in the fair value hierarchy				\$ 11,431,877
Cash and cash equivalents				<u>464,215</u>
Total investments				<u>\$ 11,896,092</u>

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE H – FAIR VALUE MEASUREMENTS – Continued

The following summarizes the College’s activities for funds held in trust measured at fair value using Level III inputs as defined above for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 1,514,360	\$ 1,435,170
Withdrawals	(650,175)	-
Net unrealized gain	<u>37,944</u>	<u>79,190</u>
Ending balance	<u>\$ 902,129</u>	<u>\$ 1,514,360</u>

Valuation Techniques and Significant Inputs

During 2015 and 2014, Level II marketable securities consisted of fixed income mutual funds that are valued by the mutual fund manager based on the market value of their underlying securities and municipal bonds that are valued using market values derived from current interest rates at or close to June 30, 2015 and 2014, respectively. Level II also includes corporate notes and bonds that are valued using historical prices in a matrix pricing model.

Level III includes the College’s funds held in trust by an outside trustee. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE I – ENDOWMENTS

The College's endowment consists of numerous donor-restricted funds established for scholarships, annuities, instruction and plant 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 understands Georgia's adoption of the Uniform Prudent Management of Institutional Funds Act ("GPMIFA") 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 instruments at the time the accumulation is added to the fund. 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 for expenditure in a manner consistent with the standard of prudence prescribed by GPMIFA. In accordance with GPMIFA, 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
- 7) The investment policies of the College

The College has adopted investment and spending policies for endowment assets that attempt to provide the preservation of assets, growth of capital and generation of income. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to (a) minimize the risk of large losses and over time, exceed the rate of inflation in order to preserve the purchasing power of assets, (b) generate a long term rate of return to equal or exceed the appropriate market indices, and (c) generate income to fund operations as needed. Actual returns in any given year may vary from this amount.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE I – ENDOWMENTS - Continued

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 places greater emphasis on equity-based investments to achieve its long-term objectives with prudent risk restraints.

The Board encourages the growth of the College endowment assets through reinvestment of a portion of the annual earnings to provide support for College priorities, projects and programs at a level consistent with the intentions of the donors. The initial payout is up to six percent of the market value of the discretionary endowment assets as of December 31 of each year. Additional earnings on the endowment are used for the operations of the College at the discretion of the Finance Committee of the Board.

If the market value of any fund classified as permanently restricted at year-end is below the amount determined to be permanently restricted, the deficit which cannot be funded from temporarily restricted unspent earnings of the fund is reported as a reduction in unrestricted net assets. For the year ended June 30, 2014 as a result of unfavorable market conditions and additional board approved operational draws, the College's endowment funds experienced deficiencies from original fair value totaling \$2,772,142, which were recorded as a decrease in unrestricted net assets as required by GAAP. As a result of changes in donor intent for certain endowed funds, in the 2015 year, these deficiencies were replenished.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE I – ENDOWMENTS - Continued

The composition of the College’s donor-restricted endowment fund and changes in net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (2,772,142)	\$ 2,282,564	\$ 12,580,421	\$ 12,090,843
Investment return:				
Investment income	112,504	62,273	-	174,777
Net appreciation (realized and unrealized)	<u>-</u>	<u>8,585</u>	<u>1,021</u>	<u>9,606</u>
Total investment return	112,504	70,858	1,021	184,383
Contributions	-	200	225	425
Replenish donor endowment	2,659,638	-	-	2,659,638
Change in donor intent	-	-	(5,809,073)	(5,809,073)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(1,684,913)</u>	<u>-</u>	<u>(1,684,913)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 668,709</u>	<u>\$ 6,772,594</u>	<u>\$ 7,441,303</u>

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE I – ENDOWMENTS - Continued

The composition of the College’s donor-restricted endowment fund and changes in net assets for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (3,138,281)	\$ 1,757,553	\$ 12,418,646	\$ 11,037,918
Investment return:				
Investment income	28,771	209,611	37,227	275,609
Net appreciation (realized and unrealized)	<u>-</u>	<u>1,169,704</u>	<u>106,845</u>	<u>1,276,549</u>
Total investment return	28,771	1,379,315	144,072	1,552,158
Contributions	-	5,880	17,703	23,583
Replenish donor endowment	337,368	-	-	337,368
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(860,184)</u>	<u>-</u>	<u>(860,184)</u>
Endowment net assets, end of year	<u>\$ (2,772,142)</u>	<u>\$ 2,282,564</u>	<u>\$ 12,580,421</u>	<u>\$ 12,090,843</u>

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE J – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2015 and 2014 is summarized as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 818,439	\$ 818,439
Buildings	18,208,546	18,272,973
Improvements other than buildings	3,104,643	3,038,912
Furniture, fixtures and equipment	<u>6,973,043</u>	<u>6,899,450</u>
	29,104,671	29,029,774
Less accumulated depreciation	<u>17,843,247</u>	<u>17,336,861</u>
	<u>\$ 11,261,424</u>	<u>\$ 11,692,913</u>

Depreciation expense was \$533,769 and \$545,556, for the years ended June 30, 2015 and 2014, respectively.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE K – NOTES AND BONDS PAYABLE

Notes and bonds payable consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<i>Notes payable:</i>		
Promissory note dated May 30, 2014, with an original principal of \$1,022,776. Principal and interest payments of \$10,000 per month are required beginning on June 29, 2014 with a final balloon payment of \$825,379 due on the maturity date of May 29, 2017. The interest rate is fixed at 5.5 percent. This note is secured by all accounts receivable of the College.	\$ 951,728	\$ 1,017,553
Marginal line of credit with total amount available of \$2,312,000 payable to a financial institution. The interest rate is variable and is based on Wall Street Journal prime rate ("WSJP") but cannot go below four percent. At year end the WSJP was 3.25 percent. The applicable rate of the marginal line of credit was therefore four percent. The line is secured by a portion of the College's endowment.	<u>2,115,647</u>	<u>2,084,513</u>
Subtotal notes payable	<u>3,067,375</u>	<u>3,102,066</u>
<i>Bonds payable:</i>		
On September 25, 2013 the College and a financial institution mutually agreed to restructure existing bond debt. Bond principal of \$1,250,000 was forgiven as well as the related interest rate swap totaling \$1,056,000. On November 7, 2014, the first amendment to the new agreement was signed. This amendment extended the maturity date to October 31, 2015 and allowed for renewal on an annual basis until October 31, 2017. The terms of the agreement require interest only payments at WSJP plus one percent until October 31, 2016. If extended to October 31, 2017, the interest rate will be WSJP plus two percent. Payments of principal and interest are required during the Renewal Periods based on a 25 year amortization at a rate not to exceed 2.50 percent plus WSJP. The debt is secured by certain real properties of the College.	<u>7,481,273</u>	<u>7,615,000</u>
Total notes and bonds payable	<u>\$10,548,648</u>	<u>\$10,717,066</u>

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE K – NOTES AND BONDS PAYABLE - Continued

Maturities due within the next five years are as follows:

<u>Year ending June 30,</u>	
2016	\$ 9,666,319
2017	<u>882,329</u>
	<u>\$ 10,548,648</u>

The College is required to maintain certain covenants in compliance with the requirements of the restructured bond. Management believes that the College is in compliance with these covenants at June 30, 2015.

Allocation of total interest expense to functional expenses is as follows:

	<u>2015</u>	<u>2014</u>
Instructional	\$ 85,491	\$ 104,347
Academic support	55,178	67,423
Student services	31,645	138,524
Institutional support	113,423	41,674
Auxiliary enterprises	<u>117,904</u>	<u>113,658</u>
	<u>\$ 403,641</u>	<u>\$ 465,626</u>

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE L – EMPLOYEE RETIREMENT PLAN

The College has a defined contribution retirement plan (the “Plan”) covering substantially all full-time employees and allows employees to defer up to \$15,000 per year. The College has temporarily discontinued contributions to the Plan and no amounts were contributed during the years ended June 30, 2015 and 2014.

NOTE M – NET ASSETS

Temporarily restricted net assets released from restriction for the years ended June 30, 2015 and 2014, as a result of actions of the College and/or the passage of time is as follows:

	<u>2015</u>	<u>2014</u>
Student financial assistance	\$ 1,420,133	\$ 693,740
Instruction and other support	251,158	602,653
Property acquisition, construction and maintenance	5,304	29,655
Split-interest agreements and other gifts restricted for time	<u>336,800</u>	<u>10,508</u>
	<u>\$ 2,013,395</u>	<u>\$ 1,336,556</u>

Temporarily restricted net assets are restricted for use by the College for the following purposes at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Student financial assistance	\$ 489,020	\$ 1,695,158
Instruction and other support	324,973	500,242
Property acquisition, construction and maintenance	270,935	102,983
Split-interest agreements and other gifts restricted for time	<u>103,652</u>	<u>437,445</u>
	<u>\$ 1,188,580</u>	<u>\$ 2,735,828</u>

Permanently restricted net assets consist of funds held at the Georgia Baptist Foundation, endowed scholarships and other endowed gifts. Earnings on these assets are available for student aid, general purposes, and instructional purposes.

Brewton-Parker College

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE N – COMMITMENTS AND CONTINGENCIES

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 record keeping, eligibility and other requirements. 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 DOE. This agency has the authority to determine liabilities as well as to limit, suspend or terminate Federal student aid programs. Failure to comply with such U.S. Government requirements could result in the loss of U.S. Government financial assistance to the College's students and adversely impact the operations of the College.

NOTE O – FUNDRAISING EXPENSES

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 \$200,375 and \$178,504 in 2015 and 2014, respectively.

NOTE P – RELATED PARTY TRANSACTIONS

During June 30, 2015 and 2014, the College received approximately 14 and eight percent, respectively, of its total revenues, gains and support from the Georgia Baptist Convention, Georgia Baptist Foundation or Georgia Baptist Health Care Ministry Foundation, which are considered related parties. These amounts are included in private gifts and grants and investment return on the statements of activities. At June 30, 2015 and 2014, the College was due approximately \$129,000 and \$178,000, respectively, from these related parties for various appropriations and undistributed income. Other transactions during the years are disclosed in note F.

NOTE Q – SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, management evaluated subsequent events after the statement of financial position date of June 30, 2015 through October 13, 2015, which was the date the financial statements were available to be issued. No subsequent events were noted which require disclosure.