

THE BAPTIST COLLEGE OF FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2010

THE BAPTIST COLLEGE OF FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2010

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M^CDANIEL & ASSOCIATES P^C
 Certified Public Accountants and Business Consultants

INDEPENDENT AUDITORS' REPORT

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Mary M. Richardson, CMA

The Board of Trustees
 The Baptist College of Florida
 Graceville, Florida

We have audited the accompanying statement of financial position of The Baptist College of Florida (BCF) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of BCF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Baptist College of Florida as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of The Baptist College of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General; and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McDaniel & Associates, P.C.

McDaniel & Associates, P.C.

Marianna, Florida
December 7, 2010

FINANCIAL STATEMENTS

THE BAPTIST COLLEGE OF FLORIDA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,072,361	\$ -	\$ -	\$ 2,072,361
Accounts receivable, less allowance of \$20,264	25,513	44,544	-	70,057
Agency funds	-	13,422	-	13,422
Investments	3,690,650	1,396,439	3,596,192	8,683,281
Inventories	7,202	-	-	7,202
Beneficial interest in assets held in trust by others	-	687,304	1,552,369	2,239,673
Property, plant and equipment, net	9,822,489	-	-	9,822,489
Note receivable	95,960	-	-	95,960
Prepaid expenses	22,200	-	-	22,200
Total assets	<u>\$ 15,736,375</u>	<u>\$ 2,141,709</u>	<u>\$ 5,148,561</u>	<u>\$ 23,026,645</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 139,510	\$ -	\$ -	\$ 139,510
Agency funds payable	-	13,422	-	13,422
Deposits	25,104	-	-	25,104
Obligation under capital lease	228,345	-	-	228,345
Note payable	175,713	-	-	175,713
Total liabilities	568,672	13,422	-	582,094
NET ASSETS				
Unrestricted	15,167,703	-	-	15,167,703
Temporarily restricted	-	2,128,287	-	2,128,287
Permanently restricted	-	-	5,148,561	5,148,561
Total net assets	<u>15,167,703</u>	<u>2,128,287</u>	<u>5,148,561</u>	<u>22,444,551</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,736,375</u>	<u>\$ 2,141,709</u>	<u>\$ 5,148,561</u>	<u>\$ 23,026,645</u>

The accompanying notes are an integral part of these financial statements.

THE BAPTIST COLLEGE OF FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Student tuition and fees, net of discount of \$455,434	\$ 3,326,867	\$ -	\$ -	\$ 3,326,867
Florida Baptist Convention gifts and grants	1,867,103	237,631	-	2,104,734
Private gifts and grants	258,459	828,643	112,941	1,200,043
Sales from auxiliary services	887,580	-	-	887,580
Other income	55,947	-	-	55,947
Investment income	356,099	120,822	3,904	480,825
Net increase in beneficial interest in assets held in trust by others	-	66,460	60,118	126,578
Net assets released from restrictions:				
Satisfaction of program restrictions	1,161,583	(1,161,583)	-	-
Total revenues and other support	7,913,638	91,973	176,963	8,182,574
EXPENSES				
Program services -				
Instruction	2,118,258	-	-	2,118,258
Academic support	292,237	-	-	292,237
Student services	714,479	-	-	714,479
Auxiliary services	1,094,420	-	-	1,094,420
Total program services	4,219,394	-	-	4,219,394
Support services -				
Institutional support	1,994,093	-	-	1,994,093
Total expenses	6,213,487	-	-	6,213,487
CHANGE IN NET ASSETS	1,700,151	91,973	176,963	1,969,087
NET ASSETS AT JUNE 30, 2009	13,467,552	2,036,314	4,971,598	20,475,464
NET ASSETS AT JUNE 30, 2010	<u>\$ 15,167,703</u>	<u>\$ 2,128,287</u>	<u>\$ 5,148,561</u>	<u>\$ 22,444,551</u>

The accompanying notes are an integral part of these financial statements.

**THE BAPTIST COLLEGE OF FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010**

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,969,087
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	551,901
Contributions restricted for satisfaction of equipment acquisition restrictions	(722,876)
Contributions restricted for long-term investments	(112,941)
Contribution of property	(21,240)
Investment income	(480,825)
Net increase in beneficial interest in assets held in trust by others	(126,578)
Changes in:	
Accounts receivable	51,639
Inventories	(2,804)
Prepaid expenses	1,200
Accounts payable and accrued liabilities	30,594
Deposits	(900)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,136,257

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(255,052)
Proceeds from sale of investments	89,991
Acquisitions of property, plant and equipment	(899,957)
Principal payments received on note receivable	1,146
NET CASH USED IN INVESTING ACTIVITIES	(1,063,872)

The accompanying notes are an integral part of these financial statements.

**THE BAPTIST COLLEGE OF FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010**

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments under capital leases	(39,183)
Principal payments under notes payable	(22,508)
Contributions for investments in:	
Endowment	112,941
Property, plant and equipment	722,876

NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>774,126</u>
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INCREASE IN CASH AND CASH EQUIVALENTS	846,511
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,225,850</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,072,361</u></u>
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**SUPPLEMENTAL DISCLOSURE OF
CASH FLOW INFORMATION**

Cash paid during the year for:	
Interest expense	<u><u>\$ 22,829</u></u>

The accompanying notes are an integral part of these financial statements.

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies

Organizational and Financial Reporting: The Baptist College of Florida ("BCF" or "Organization") is a not-for-profit college which offers a combination of majors and minors in the fields of theology, church music, Christian education, Christian counseling, leadership, elementary education, music education, residential childcare, and child development. The college changed its name to The Baptist College of Florida effective June 1, 2001. The previous name had been Florida Baptist Theological College.

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on BCF as a whole and to present net assets and revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by BCF. Generally, the donors of these assets permit BCF to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of BCF and/or the passage of time.

Unrestricted Net Assets: Net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations.

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.

Contributions of property, furniture and fixtures without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property, furniture and fixtures with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

BCF is supported primarily by tuition, earnings on endowments and contributions. A substantial contributor is the Florida Baptist Convention ("Convention"). Continuance of this funding is subject to annual review and approval by the Convention.

Liquidity: Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to their maturity and resulting use of cash.

Cash Equivalents: BCF considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for purposes of the statement of cash flows. BCF had cash equivalents of \$1,273,575 at June 30, 2010.

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies, Continued

Accounts Receivable and Allowance for Uncollectible Accounts: Receivables consist primarily of amounts due from students for tuition and related educational expense charges. The allowance amount is estimated using accounts receivable past due more than ninety days.

Investments: Substantially all investments are pooled and invested with Summit Wealth Management, Inc. Pooled investments are carried at fair value, which is determined based on quoted market values.

Agency Funds: Agency funds are assets held by BCF as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Inventories: Inventories consist primarily of coffee shop items and are recorded on a cost basis as determined under the specific identification method.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising: BCF's policy is to expense advertising costs as they are incurred. Total advertising costs for the year ended June 30, 2010, was \$15,523.

Fundraising Costs: BCF had a phonathon campaign and continued with the capital campaign during the current year. Total fundraising costs during the year ended June 30, 2010, were \$9,743 and are included in institutional support expenses on the Statement of Activities.

Property, Plant and Equipment: Property is stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Donated property recorded in the current year totaled \$21,240. Depreciation is calculated using the straight-line method over the estimated useful life of each asset. The estimated useful lives are as follows:

<u>Classification of Assets</u>	<u>Estimated Useful Lives</u>
Buildings and land improvements	30 years
Improvements other than buildings	15 years
Equipment	3- 7 years

Income Taxes: BCF has received a tax determination letter dated November 5, 1963, exempting the Organization from Federal income taxes under the provisions of Section 501(c)(3).

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2. Investments

The following represents a summary of the carrying amount of investments:

	Pooled					Total
	Mutual Funds	Money Market Funds	Investment Certificates	Common & Preferred Stocks and Corporate Bonds	Other Non-Pooled	
Unrestricted	\$ 36,100	\$3,150,793	\$ -	\$ -	\$ 503,757	\$ 3,690,650
Temporarily restricted	-	1,371,191	-	1,178	24,070	1,396,439
Permanently restricted	-	-	299,334	2,989,848	307,010	3,596,192
	<u>\$ 36,100</u>	<u>\$4,521,984</u>	<u>\$ 299,334</u>	<u>\$ 2,991,026</u>	<u>\$ 834,837</u>	<u>\$ 8,683,281</u>

Investment income consists primarily of net appreciation in stocks and reinvested earnings on certificates of deposit. Investment income is reported net of investment expenses on the Statement of Activities. Total investment management fee expenses for the year ended June 30, 2010, were \$63,492.

Note 3. Endowment

BCF's endowment consists of assets held directly by BCF and assets held by others. The endowment funds held directly by BCF consist of 153 individual donor-restricted endowment funds established for a variety of purposes. Endowments included in assets held by others consist of 41 individual donor-restricted endowment funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported as permanently restricted or temporarily restricted on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of Trustees of BCF has interpreted the State of Florida Statute (1010.10) cited as the "Florida Uniform Management of Institutional Funds Act" (FUMIFA) as requiring the Board to use reasonable care, skill, and caution, as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUMIFA, the Board may expend so much of an endowment fund as the Board determines to be prudent for the uses and purposes for which endowment fund is established, consistent with the goal of conserving the long term purchasing power of the endowment fund. The Board considered the following factors in making its determination:

- 1) The purpose of BCF
- 2) The intent of the donor of the endowment fund
- 3) The terms of the applicable instrument
- 4) The long-term and short-term needs of BCF in carrying out its purposes
- 5) The general economic conditions
- 6) The possible effect of inflation or deflation
- 7) The other resources of BCF
- 8) Perpetuation of the endowment

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 3. Endowment, Continued

As a result of this interpretation, the Board classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the original value of other corpus additions to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as 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 FUMIFA.

Spending Policy: BCF has a policy of appropriating for distribution only the investment income associated with endowment assets. In establishing this policy, BCF considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Investment Policy: BCF's investment strategy is to emphasize the total return; that is, the aggregate return from capital appreciation, dividend income, and interest income less the annual rate of inflation will normally be captured and transferred into the operating funds or special fund for which the account is designated and a new corpus value recognized upon the approval of the Trustees. In some cases, if fund growth potential and operating fund balance dictates, portions of the overall return may be rolled back into the fund. Substantially all of the total endowed assets held directly by BCF are included in BCF's pooled investments which are managed by Summit Wealth Management, Inc. Summit Wealth Management manages \$3,662,284 of the total \$3,991,761 of total endowment funds held directly by BCF. BCF's interest in total endowments funds held by others totaled \$1,552,369.

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 145,569	\$5,148,561	\$ 5,294,130
Board-designated endowment funds	250,000	-	-	250,000
Total funds	\$ 250,000	\$ 145,569	\$5,148,561	\$ 5,544,130

Changes in endowment net assets as of June 30, 2010, are as follows:

Endowment net assets, beginning of year	\$ 237,429	\$ 133,894	\$4,971,598	\$ 5,342,921
Contributions	-	-	112,941	112,941
Investment income	12,798	73,314	89,684	175,796
Net appreciation	12,571	2,919	60,118	75,608
Amounts appropriated for expenditure	(12,798)	(64,558)	(85,780)	(163,136)
Endowment net assets, end of year	\$ 250,000	\$ 145,569	\$5,148,561	\$ 5,544,130

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 3. Endowment, Continued

Funds with Deficiencies: As of June 30, 2010, BCF had no established endowment with a fair value less than the historical cost value (original gift/book value) of such funds ("underwater").

Note 4. Property, Plant and Equipment

Land	\$ 577,347
Land improvements	926,284
Buildings	11,173,380
Building under capital lease	570,425
Equipment	2,961,772
Equipment under capital lease	6,005
Library books	1,204,840
Construction in progress	<u>805,705</u>
	18,225,758
Less accumulated depreciation	<u>8,403,269</u>
Property, plant and equipment, net	<u><u>\$9,822,489</u></u>

Note 5. Beneficial Interest in Assets Held in Trust by Others

Beneficial interest in assets held in trust by others represent assets held by the Florida Baptist Foundation (Foundation) or other trustees, which are invested by these organizations for the benefit of BCF.

Note 6. Note Receivable

The note receivable has an interest rate of 7.5% with monthly payments due in the amount of \$699. The final payment is due on December 20, 2010, and is secured by land and buildings.

Note 7. Lease Obligations

BCF has a capital lease for student housing facilities with a nonprofit organization. Lease payments of \$4,604, including interest of 4.25%, are due monthly through December 15, 2014. The obligation is collateralized by buildings carried at approximately \$365,327, net of amortization (Note 4).

Additionally, BCF has a capital lease for one color printer with software. Lease payments of \$203, including interest of 13.07% are due monthly with a final balance due on July 25, 2011. The obligation is collateralized by equipment carried at approximately \$3,699, net of amortization (Note 4).

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 7. Lease Obligations, Continued

The following are future minimum lease payments to be made under the capital leases, together with the present value of the minimum lease payments at June 30:

2011	\$ 57,679
2012	55,430
2013	55,246
2014	55,246
2015	27,623
Thereafter	<u>-</u>
Total minimum lease payments	251,224
Less amount representing interest	<u>22,879</u>
Present value of minimum lease payments	<u><u>\$ 228,345</u></u>

Total amortization expense relating to leased assets was approximately \$20,215 for the year ended June 30, 2010, and is included as a component of depreciation expense in the accompanying financial statements.

BCF has also entered into several non-cancelable operating leases for office equipment. Under the terms of these leases, the scheduled aggregate minimum lease payments are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2011	<u><u>\$ 15,956</u></u>

Rental expense for these operating leases for the year ended June 30, 2010, was \$ 19,147.

Note 8. Note Payable

The Organization's note payable is as follows:

BCF entered into a note agreement on December 13, 2006, due in monthly installments of \$2,626, including interest of 4.79%. The obligation is collateralized by land and buildings and the balance owed at June 30, 2010, is \$175,713.

Future scheduled maturities of notes payable are as follows at June 30:

2011	\$ 31,512
2012	31,512
2013	31,512
2014	31,512
2015	31,512
Thereafter	<u>47,274</u>
	204,834
Less amount representing interest	<u>29,121</u>
Principal payments	<u><u>\$ 175,713</u></u>

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9. Annuity Retirement Plans

BCF participates in a defined contribution retirement plan (the "Plan"), which is administered by the GuideStone Financial Resources of the Southern Baptist Convention. The Plan covers full-time employees who have completed one year of service and are at least age twenty-one. Total retirement and associated administrative costs paid by BCF amounted to approximately \$175,842 for the year ended June 30, 2010.

Note 10. Permanently and Temporarily Restricted Net Assets

Permanently restricted net assets consist of endowment funds totaling \$3,596,192, the income from which is to be used for scholarships and other activities of BCF. Also included in permanently restricted net assets is \$1,552,369 of assets held by others, the income from which is also substantially restricted for scholarships and other activities of BCF.

Temporarily restricted net assets consist of the following:

Gifts and other unexpended revenues and gains available for:

Renovation and addition of property, plant and equipment	\$ 1,001,441
Scholarships and other	439,542
Assets held by others for use for any BCF expenditures	<u>687,304</u>

Total	<u><u>\$ 2,128,287</u></u>
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Note 11. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors as follows:

Purpose restrictions accomplished:

Renovation and addition of property, plant and equipment	\$ 733,800
Scholarships and other	<u>427,783</u>

Total	<u><u>\$ 1,161,583</u></u>
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THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 12. Fair Value Measurements

Effective January 1, 2008, Financial Accounting Standards Board ("FASB") ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that BCF has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents BCF's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2010.

	Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government securities	\$ 1,233,407	\$ 1,233,407	\$ -	\$ -
U.S. government treasury bill	3,248,410	3,248,410	-	-
Certificate of deposit	803,092	803,092	-	-
Corporate bonds	893,361	893,361	-	-
Preferred stocks	730,600	730,600	-	-
Common stocks	150,345	150,345	-	-

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 12. Fair Value Measurements, Continued

	Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	256,887	36,100	220,787	-
Money market	378,164	378,164	-	-
Cash	989,015	989,015	-	-
Total investments	8,683,281	8,462,494	220,787	-
Beneficial interest in assets held by others	2,239,673	314,832	500,366	1,424,475
	<u>\$ 10,922,954</u>	<u>\$ 8,777,326</u>	<u>\$ 721,153</u>	<u>\$ 1,424,475</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Investments	Beneficial Interest in Assets Held by Others	Total
Balance, July 1, 2009	\$ 21,000	\$ 1,362,650	\$ 1,383,650
Purchases, issuances, and settlements (net)	(39,899)	(3,304)	(43,203)
Total gains or losses, realized (unrealized)	18,899	65,129	84,028
Balance, June 30, 2010	<u>\$ -</u>	<u>\$ 1,424,475</u>	<u>\$ 1,424,475</u>

Note 13. Federal and State Appropriations

BCF receives federal student financial assistance from the U.S. Department of Education and state student financial assistance from the State of Florida on behalf of its students. These appropriations are considered agency transactions under the provisions of SOFAS No. 116 and, as such, are not recorded in the accompanying financial statements. Total appropriations of \$2,874,097 and \$576,386 were received during the fiscal year 2010, for federal and state financial assistance, respectively.

Federal programs are also subject to audit by the Department of Education. Such audits could result in claims against the resources of BCF. No provision has been made for any liabilities which may arise from such audits since the amounts, if any, cannot be determined at this date.

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 14. Functional Allocation of Expenses

The costs of providing BCF's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 15. Concentrations of Credit Risk

BCF maintains thirteen bank accounts at seven banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at one institution exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$277,345 at Peoples Bank of Graceville. BCF also has a certificate of deposit with an amount in excess of the FDIC limit totaling \$3,758 at American Momentum Bank as of June 30, 2010.

Note 16. Subsequent Event

The College has evaluated events subsequent to the statement of financial position date through December 7, 2010, which is the date the report was available to be issued.

SUPPLEMENTARY INFORMATION

**THE BAPTIST COLLEGE OF FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010**

(SUPPLEMENTARY INFORMATION)

	<u>CFDA Number</u>	<u>Total Federal Expenditures</u>
Federal Student Financial Assistance Cluster:		
U.S. Department of Education -		
Federal Pell Grant Program	84.063	\$ 965,584
Federal Work Study	84.033	40,106
Federal Supplemental Education Opportunity Grant	84.007	29,600
Federal Family Education Loan Program (Note 2)	84.032	1,809,589
Federal Academic Competitiveness Grant	84.375	<u>27,718</u>
Total Federal Student Financial Assistance Cluster		2,872,597
Pass-Through Program From:		
Florida Department of Education -		
Byrd Honors Scholarships	84.185	<u>1,500</u>
Total U.S. Department of Education		<u>2,874,097</u>
Total Expenditures of Federal Awards		<u><u>\$ 2,874,097</u></u>
State Agency Name:		
Florida Department of Education -		
Florida Bright Futures Scholarship Program	48.059	\$ 361,935
Florida Student Assistance Grant	48.054	207,395
Children of Deceased Disabled Veterans	48.055	<u>7,056</u>
Total Florida Department of Education		<u>576,386</u>
Total Expenditures of State Financial Assistance		<u><u>\$ 576,386</u></u>

The accompanying notes are an integral part of this financial schedule.

**THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2010**

(SUPPLEMENTARY INFORMATION)

Note 1. Basis of Accounting Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Baptist College of Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2. Outstanding Loan Balances

The Baptist College of Florida had the following loan balances outstanding at June 30, 2010. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Amount Outstanding
Federal Family Education Loan Program	84.032	\$ 1,809,589



M^CDANIEL & ASSOCIATES PC
 Certified Public Accountants and Business Consultants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
 FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
 MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
 PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

E.B. McDaniel, Jr., CPA (1913-1998)
 Bill Flowers, CPA (1957-2010)
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 James C. Ellis, CPA
 George F. Price, CPA
 T. Leon Cheshire, CPA
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 Stephanie H. Crowe, CPA
 J. Michael Farris, CPA
 J. Gunter Price, CPA
 Sean K. Ingram, CPA

Mary M. Richardson, CMA

The Board of Trustees
 The Baptist College of Florida
 Graceville, Florida

We have audited the financial statements of The Baptist College of Florida (BCF) as of and for the year ended June 30, 2010 and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting: In planning and performing our audit, we considered BCF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BCF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, 2010-1. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters: As part of obtaining reasonable assurance about whether BCF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BCF's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit BCF's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, the Florida Auditor General, the U.S. Department of Education, and the Florida Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

McDaniel & Associates, P.C.

McDaniel & Associates, P.C.

Marianna, Florida
December 7, 2010



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
 REQUIREMENTS THAT COULD HAVE A DIRECT AND
 MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
 INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
 OMB CIRCULAR A-133 AND
 CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

The Board of Trustees
 The Baptist College of Florida
 Graceville, Florida

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Mary M. Richardson, CMA

Compliance: We have audited the compliance of The Baptist College of Florida (BCF) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services State Projects Compliance Supplement*, that could have a direct and material effect on each of BCF's major federal and state programs for the year ended June 30, 2010. BCF's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of BCF's management. Our responsibility is to express an opinion on BCF's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about BCF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of BCF's compliance with those requirements.

In our opinion, BCF complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2010.

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Internal Control Over Compliance: Management of BCF is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered BCF's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BCF's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

BCF's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit BCF's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Trustees, management, the Florida Auditor General, the U.S. Department of Education, and the Florida Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

McDaniel & Associates, P.C.
McDaniel & Associates, P.C.

Marianna, Florida
December 7, 2010

THE BAPTIST COLLEGE OF FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section 1. Summary of Auditors' Results

- 1 - The independent auditor's report expresses an unqualified opinion on the financial statements of The Baptist College of Florida.
- 2 - A significant deficiency relating to the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Significant deficiency 2010-1 was also noted during the audit for the year ended June 30, 2009. The deficiency is not considered to be a material weakness.
- 3 - No instances of noncompliance material to the financial statements of The Baptist College of Florida, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4 - No significant deficiencies relating to the audit of the major federal award programs and state projects are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General.
- 5 - The auditors' report on compliance for major federal award programs and state projects for The Baptist College of Florida expresses an unqualified opinion on all major federal programs and state projects.
- 6 - No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were disclosed.
- 7 - The Federal Student Financial Assistance Cluster was tested as a major program. The state projects tested as major projects were the Florida Bright Futures Scholarship Program, CSFA #48.059, and the Florida Student Assistance Grant, CSFA #48.054.
- 8 - The dollar threshold used to distinguish between Type A and Type B programs for major federal programs was \$300,000. The dollar threshold used to distinguish between Type A and Type B projects for major state projects was \$172,916 (30% of total state awards expended.)
- 9 - The Baptist College of Florida was determined to be a low-risk auditee as defined in Section .530 of OMB Circular A-133.

**THE BAPTIST COLLEGE OF FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section 2. Financial Statement Findings

2010-1 Separation of Duties

Comment : There is a lack of segregation of duties between employees who have record-keeping responsibility and employees in custody of College assets.

Recommendation : The size of the College's administrative staff makes it difficult to achieve ideal separation of duties. We recommend that management be mindful of this condition and design and implement policies and procedures, where possible, to reduce the risks associated with such limitation.

Management Response : The College is aware of this condition and plans to continue to separate record-keeping duties from custody of assets as much as possible with a small administrative staff.

Section 3. Federal and State Award Findings and Questioned Costs

No matters were reported.