

THE BAPTIST COLLEGE OF FLORIDA
FINANCIAL STATEMENTS
JUNE 30, 2014

THE BAPTIST COLLEGE OF FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

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Anna W. Turner, CPA

Emily M. Knight, CPA

Mary M. Richardson, CMA

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Baptist College of Florida (BCF), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year 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.

Auditor's Responsibility

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

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

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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and Chapter 10.650, *Rules of the Florida Auditor General* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014 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* in considering The Baptist College of Florida's internal control over financial reporting and compliance.

McDaniel & Associates, P.C.

Dothan, Alabama
December 4, 2014

FINANCIAL STATEMENTS

THE BAPTIST COLLEGE OF FLORIDA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,665,302	\$ -	\$ -	\$ 1,665,302
Accounts receivable, less allowance of \$18,809	17,952	-	-	17,952
Agency funds	-	18,721	-	18,721
Investments	7,238,937	2,150,183	4,433,646	13,822,766
Beneficial interest in assets held in trust by others	-	861,889	1,707,831	2,569,720
Property, plant and equipment, net	10,558,818	-	-	10,558,818
Prepaid expenses	26,901	-	-	26,901
TOTAL ASSETS	<u>\$ 19,507,910</u>	<u>\$ 3,030,793</u>	<u>\$ 6,141,477</u>	<u>\$ 28,680,180</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	112,987	\$ -	\$ -	\$ 112,987
Agency funds payable	-	18,721	-	18,721
Deposits	21,403	-	-	21,403
Obligation under capital lease	2,500	-	-	2,500
Total liabilities	136,890	18,721	-	155,611
NET ASSETS				
Unrestricted	19,371,020	-	-	19,371,020
Temporarily restricted	-	3,012,072	-	3,012,072
Permanently restricted	-	-	6,141,477	6,141,477
Total net assets	<u>19,371,020</u>	<u>3,012,072</u>	<u>6,141,477</u>	<u>28,524,569</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,507,910</u>	<u>\$ 3,030,793</u>	<u>\$ 6,141,477</u>	<u>\$ 28,680,180</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, 2014

	<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 \$358,548	\$ 3,740,795	\$ -	\$ -	\$ 3,740,795
Florida Baptist Convention gifts and grants	1,560,718	210,912	-	1,771,630
Private gifts and grants	240,714	1,213,306	236,109	1,690,129
Sales from auxiliary services	725,697	-	-	725,697
Other income (loss)	(109,845)	-	-	(109,845)
Investment income	96,721	90,237	2,451	189,409
Net increase in beneficial interest in assets held in trust by others	-	47,279	78,244	125,523
Net assets released from restrictions:				
Satisfaction of program restrictions	520,385	(520,385)	-	-
Total revenues and other support	6,775,185	1,041,349	316,804	8,133,338
EXPENSES				
Program services:				
Instruction	2,575,868	-	-	2,575,868
Academic support	299,749	-	-	299,749
Student services	798,316	-	-	798,316
Auxiliary services	898,641	-	-	898,641
Total program services	4,572,574	-	-	4,572,574
Support services:				
Institutional support	2,159,612	-	-	2,159,612
Total expenses	6,732,186	-	-	6,732,186
CHANGE IN NET ASSETS	42,999	1,041,349	316,804	1,401,152
NET ASSETS AT JUNE 30, 2013	19,328,021	1,970,723	5,824,673	27,123,417
NET ASSETS AT JUNE 30, 2014	<u>\$ 19,371,020</u>	<u>\$ 3,012,072</u>	<u>\$ 6,141,477</u>	<u>\$ 28,524,569</u>

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

**THE BAPTIST COLLEGE OF FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,401,152
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	646,150
Loss on disposal of property	149,234
Contributions restricted for satisfaction of equipment acquisition restrictions	(1,141,739)
Contributions restricted for long-term investments	(236,109)
Investment income	(189,409)
Net increase in beneficial interest in assets held in trust by others	(125,523)
Changes in:	
Accounts receivable	4,230
Prepaid expenses	(1,026)
Accounts payable and accrued liabilities	38,030
Deposits	(1,530)
NET CASH PROVIDED BY OPERATING ACTIVITIES	543,460

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(2,601,702)
Proceeds from sale of investments	15,414
Acquisitions of property, plant and equipment	(481,646)
Proceeds from sale of assets	340,000
Principal payments received on note receivable	91,959
NET CASH USED IN INVESTING ACTIVITIES	(2,635,975)

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

THE BAPTIST COLLEGE OF FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments under capital leases	(82,145)
Principal payments under notes payable	(101,359)
Contributions for investments in:	
Endowment	236,109
Property, plant and equipment	<u>1,141,739</u>

NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,194,344</u>
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DECREASE IN CASH AND CASH EQUIVALENTS	(898,171)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,563,473</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,665,302</u></u>
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**SUPPLEMENTAL DISCLOSURE OF
CASH FLOW INFORMATION**

Cash paid during the year for:	
Interest expense	<u><u>\$ 2,608</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, 2014

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 various theological fields. The Organization offers Masters of Arts in Christian Studies, Music and Worship Leadership; Bachelor's Degrees in Biblical Studies, Christian Counseling, English, Business Leadership, Elementary Education, Secondary Education, History & Social Studies, Leadership & Christian Education, Ministry, Christian Studies, Ministry Studies, Missions, Music Education, Music, and Contemporary Worship Ministry; Associate's Degrees in Christian Education, Divinity and Music. BCF 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: Permanently restricted net assets are 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: Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by actions of BCF and/or the passage of time.

Unrestricted Net Assets: Unrestricted net assets are 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 of BCF 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.

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

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 no cash equivalents at June 30, 2014.

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 BRC Management LLC. 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.

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, 2014, was \$12,672.

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, 2014, were \$7,988 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 \$17,211. 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

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

BCF completed construction on June 30, 2012 of three structures at Tri-County Airport located in Bonifay, Florida. The structures were built on property leased by the college from the Tri-County Airport Authority. The term of the lease agreement shall be for twenty years commencing on January 12, 2009, and ending on January 11, 2029. Per the lease agreement, BCF has the option to renew this lease for two additional terms of five years each, upon the same terms and conditions. BCF plans on exercising the two additional five year options to renew the lease. See Note 5 for additional information on leasehold improvements. See Note 16 Related Party for information on sublease agreement regarding two of these structures.

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).

Note 2. Investments

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

	Pooled					Total
	Money Market Funds	US Treasury Bills	Investment Certificates	Common Stks Preferred Stks Corporate Bds US Gov'n't	Other Non- Pooled	
Unrestricted	\$4,607,053	\$999,990	\$ -	\$ 1,631,894	\$ -	\$ 7,238,937
Temporarily restricted	-	-	-	2,049,370	100,813	2,150,183
Permanently restricted	-	-	734,651	3,389,816	309,179	4,433,646
	\$4,607,053	\$999,990	\$ 734,651	\$ 7,071,080	\$ 409,992	\$13,822,766

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, 2014, were \$59,900.

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 166 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.

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3. Endowment, Continued

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

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 restrict 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 BRC Management LLC. BRC Management LLC manages \$4,459,774 of the total \$4,807,151 of total endowment funds held directly by BCF. BCF's interest in total endowments funds held by others totaled \$1,707,831.

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3. Endowment, Continued

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 123,505	\$ 6,141,477	\$ 6,264,982
Board-designated endowment funds	250,000	-	-	250,000
Total funds	<u>\$ 250,000</u>	<u>\$ 123,505</u>	<u>\$ 6,141,477</u>	<u>\$ 6,514,982</u>

Changes in endowment net assets as of June 30, 2014, are as follows:

Endowment net assets, beginning of year	\$ 250,000	\$ 119,861	\$ 5,824,673	\$ 6,194,534
Contributions	-	-	236,109	236,109
Investment income	6,084	45,522	90,038	141,644
Net appreciation (depreciation)	-	5,132	78,244	83,376
Amounts appropriated for expenditure	<u>(6,084)</u>	<u>(47,010)</u>	<u>(87,587)</u>	<u>(140,681)</u>
Endowment net assets, end of year	<u>\$ 250,000</u>	<u>\$ 123,505</u>	<u>\$ 6,141,477</u>	<u>\$ 6,514,982</u>

Funds with Deficiencies: As of June 30, 2014, 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. Investment Mission Flight Training, Inc.

BCF received notification from the Secretary of State of the State of Florida stating that Missions Flight Training, Inc. ("MFT") has been registered as an officially recognized corporation in the State of Florida. Articles of Incorporation were filed on August 17, 2012 to create this new not for profit corporation. This is the subsidiary corporation that BCF formed in order to provide the flight training in the Missions Aviation program. The purpose for which the corporation is organized is to provide ground and flight training leading to students receiving Federal Aviation Administration (FAA) approved certification. BCF received notification from the Commission on Colleges of the Southern Association of Colleges and Schools on October 3, 2012 stating the B.A. in Missions with a Concentration in Aviation degree program has been approved. BCF received approval for this program on December 10, 2012 through the Commission on Independent Education of the Florida Department of Education. MFT began instructing students during the 2013-2014 year. BCF's investment interest in MFT as of June 30, 2014 was \$60,373 which has been included in Note 2 under Temporary Other Non-pooled Investments.

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5. Property, Plant and Equipment

Property, plant and equipment consist of the following:

Land	\$ 636,815
Land improvements	1,126,914
Buildings	13,074,758
Buildings - leasehold improvements	845,500
Equipment	3,600,966
Equipment under capital lease	8,500
Library books	1,292,683
Construction in progress	<u>159,353</u>
	20,745,489
Less accumulated depreciation	<u>10,186,671</u>
Property, plant and equipment, net	<u><u>\$ 10,558,818</u></u>

Note 6. Beneficial Interest in Assets Held in Trust by Others

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

Note 7. Lease Obligations

BCF has a capital lease for one Yamaha Grand Piano. Lease payments of \$2,000, including interest of 0% are due annually with a final payment of \$2,500 due on August 01, 2014. The obligation is collateralized by equipment carried at approximately \$3,825, net of amortization (Note 5).

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:

2015	2,500
Thereafter	<u>-</u>
Total minimum lease payments	2,500
Less amount representing interest	<u>-</u>
Present value of minimum lease payments	<u><u>\$ 2,500</u></u>

Total amortization expense relating to leased assets was approximately \$20,714 for the year ended June 30, 2014, and is included as a component of depreciation expense in the accompanying financial statements.

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 7. Lease Obligations, Continued

BCF has operating leases for equipment that expired during the current year. Rental expense for these operating leases for the year ended June 30, 2014, was \$16,453.

Note 8. 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 21. Total retirement and associated administrative costs paid by BCF amounted to approximately \$191,842 for the year ended June 30, 2014.

Note 9. Permanently and Temporarily Restricted Net Assets

Permanently restricted net assets consist of endowment funds totaling \$4,433,646, the income from which is to be used for scholarships and other activities of BCF. Also included in permanently restricted net assets is \$1,707,831 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	\$ 1,581,807
Scholarships and other	568,376
Assets held by others for any BCF expenditures	<u>861,889</u>
Total	<u><u>\$ 3,012,072</u></u>

Note 10. 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	\$ 216,980
Scholarships and other	<u>303,405</u>
Total	<u><u>\$ 520,385</u></u>

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 11. 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, 2014.

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 11. 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)
U.S. government securities	\$ 4,002,630	\$ 4,002,630	\$ -	\$ -
U.S. government treasury bills	999,990	999,990	-	-
Certificates of deposit	734,651	734,651	-	-
Corporate bonds	1,477,271	1,477,271	-	-
Preferred stocks	472,697	472,697	-	-
Common stocks	1,137,391	1,137,391	-	-
Mutual funds	231,959	-	231,959	-
Money market funds	4,705,804	4,705,804	-	-
Other - Mission Flight Training, Inc.	60,373	-	-	-
Total investments	13,822,766	13,530,434	231,959	-
Beneficial interest in assets held by others	2,569,720	400,873	600,452	1,568,395
	<u>\$16,392,486</u>	<u>\$13,931,307</u>	<u>\$ 832,411</u>	<u>\$ 1,568,395</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, 2013	\$ -	\$ 1,524,815	\$ 1,524,815
Purchases, issuances, and settlements (net)	-	-	-
Total gains or losses, realized (unrealized)	-	43,580	43,580
Balance, June 30, 2014	<u>\$ -</u>	<u>\$ 1,568,395</u>	<u>\$ 1,568,395</u>

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 12. 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 SFAS No. 116 and, as such, are not recorded in the accompanying financial statements. Total appropriations of \$3,185,333 and \$524,684 were received during the fiscal year 2014, 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.

Note 13. 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 14. Concentrations of Credit Risk

BCF maintains fifteen bank accounts at twelve banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. BCF's cash at People's Bank of Graceville exceeded FDIC federally insured limits in the amount of \$108,876.

Note 15. Other Commitments

During the May 20, 2011 Trustee meeting, the Board approved a recommendation to expend \$520,000 of unrestricted reserve funds for various capital projects. An additional \$250,000 of unrestricted reserve funds was allocated on February 4, 2014 by the college President. BCF used \$228,521 of these funds during the fiscal year 2014. Remaining balance available as of June 30, 2014 was \$73,824.

Note 16. Related Party

BCF entered into a sublease agreement with the B.R. Chamberlain Foundation on January 6, 2012 to lease one of the airplane hangers and the office building located on the property BCF is currently leasing from the Tri-County Airport Authority. The term of the lease agreement shall be for twenty years commencing on January 6, 2012, and ending on January 5, 2032. The Foundation raised and turned over significant funds to BCF for construction of the facilities located at the airport and the parties desire that the Foundation have the use of the hanger and office building for the purpose of housing the relocated Foundation offices and to serve the Foundation aircraft and those of its clients. Currently, two of BCF's administrative staff serve as officers for the B.R. Chamberlain Foundation. All officers of the B.R. Chamberlain Foundation are volunteers receiving no compensation.

THE BAPTIST COLLEGE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 17. Subsequent Events

The Organization has evaluated subsequent events through December 4, 2014, which is the date of the report.

BCF entered into an arrangement with the Mack Theron McDaniel, III Charitable Remainder Trust to loan the college \$1,000,000 that would be used as an aid in fundraising for and construction of a new building to house the School of Business for BCF. The college trustees approved this recommendation at the college's October 10, 2014 board meeting. In addition, since the agreement was greater than twelve (12) months, the recommendation was presented to the State Board of Missions so that they could consider it on behalf of the Florida Baptist Convention. On September 19, 2014, the State Board of Missions of the Florida Baptist Convention approved the College's plan for the transaction.

SUPPLEMENTARY INFORMATION

**THE BAPTIST COLLEGE OF FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

(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	\$ 1,277,419
Federal Work Study Program	84.033	40,036
Federal Supplemental Education Opportunity Grant	84.007	16,800
Federal Family Education Loan Program (Note 2)	84.032	<u>1,851,078</u>
Total Expenditures of Federal Awards		<u><u>\$ 3,185,333</u></u>
State Agency Name:		
Florida Department of Education -		
Florida Bright Futures Scholarship Program	48.059	\$ 217,812
Florida Student Assistance Grant	48.054	186,249
Florida Resident Access Grant	48.064	<u>120,623</u>
Total Expenditures of State Financial Assistance		<u><u>\$ 524,684</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, 2014**

(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 Organization*, and Chapter 10.650, *Rules of the Florida 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, 2014. 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	\$ 1,851,078

**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**

Independent Auditor's Report

E.B. McDaniel, Jr., CPA (1913-1998)

Mac F. Carpenter, CPA

James C. Ellis, CPA

George F. Price, CPA

T. Leon Cheshire, CPA

Paula L. Steele, CPA

Ben E. Hathcock, CPA

M. Craig Scarbrough, CPA

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Lisa M. Tucci, CPA

Anna W. Turner, CPA

Emily M. Knight, CPA

Mary M. Richardson, CMA

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

We have audited, 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, the financial statements of The Baptist College of Florida (BCF), which comprise the statement of financial position as of June 30, 2014, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BCF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2014-1.

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 Finding

BCF's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. BCF's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDaniel & Associates, P.C.

Dothan, Alabama
December 4, 2014

E.B. McDaniel, Jr., CPA (1913-1998)
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George F. Price, CPA
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J. Stephen Kingry, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND STATE PROJECT; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND CHAPTER 10.650, RULES OF THE FLORIDA AUDITOR GENERAL**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program and State Project

Carol P. Morgan, CPA
Brenda H. Burnett, CPA
Vicki M. Martin, CPA
Dana S. Starling, CPA
Shaylee W. Meadows, CPA
Stephanie H. Crowe, CPA
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Emily M. Knight, CPA

We have audited The Baptist College of Florida's (BCF) compliance with the types of compliance requirements described in *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 program and state projects for the year ended June 30, 2014. 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.

Management's Responsibility

Mary M. Richardson, CMA

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of BCF's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Florida Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Florida 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of BCF's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, BCF complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of BCF is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BCF's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program or state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Florida Auditor General*, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, *Rules of the Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.

McDaniel & Associates, P.C.

Dothan, Alabama

December 4, 2014

THE BAPTIST COLLEGE OF FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section 1. Summary of Auditors' Results

- 1 - The independent auditors' report expresses an unmodified 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 2014-1 was also noted during the audit for the year ended June 30, 2013. 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 for Each Major Federal Program and State Project; Report on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.650, *Rules of the Florida Auditor General*.
- 5 - The auditors' report on compliance for major federal award programs and state projects for The Baptist College of Florida expresses an unmodified opinion on the 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, CFDA #48.059, and the Florida Student Assistance Grant, CFDA #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 \$157,405 (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, 2014**

Section 2. Financial Statement Findings

2014-1 Separation of Duties

Condition: 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 Organization'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 Organization 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.



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

**THE BAPTIST COLLEGE OF FLORIDA
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
 FEDERAL PROGRAMS AND STATE PROJECTS**

Fiscal Year Ended June 30, 2014

E.B. McDaniel, Jr., CPA (1913-1998)
 Mac F. Carpenter, CPA
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 George F. Price, CPA
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 Emily M. Knight, CPA

 Mary M. Richardson, CMA

Listed below is the College's summary of the status of prior audit finds on Federal programs:

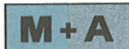
Audit Report No.
 and Federal
Awards Finding No. Program/Area Brief Description Status Comments

There were no prior Federal Audit findings.

Listed below is the College's summary of the status of prior audit finds on State programs:

Audit Report No.
 and State
Awards Finding No. Program/Area Brief Description Status Comments

There were no prior State Audit findings.



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To the Board of Trustees
The Baptist College of Florida

We have audited the financial statements of The Baptist College of Florida for the year ended June 30, 2014, and have issued our report thereon dated December 4, 2014. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter date July 8, 2014, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of The Baptist College of Florida solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and other matters noted during our audit in a separate letter to you dated December 4, 2014.

Planned Scope and Timing of the Audit

We conducted our audit with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

101 Executive Park Drive

PO Box 6356

Dothan, AL 36302

☎ 334.792.2153

☎ 334.793.1216

info@mcdanielcpa.com

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant policies used by The Baptist College of Florida is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2014. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimate affecting the financial statements are management's estimate of the fair value of financial instruments.

Management's estimate of the fair value of financial instruments is based on various methods ranging from quoted prices in active markets to unobservable inputs for those in which there is no liquid market. We evaluated the key factors and assumptions used to develop the fair value of financial instruments and determined that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting The Baptist College of Florida's financial statements relate to:

The amounts invested at banks in excess of FDIC insurance at June 30, 2014, disclosed at Note 14 in the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The only misstatement that was detected as a result of audit procedures and was not corrected by management was the recording of allowance for doubtful accounts. The uncorrected misstatement had the effect of lowering assets and net income by \$3,849. Management has determined that the effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to The Baptist College of Florida's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated December 4, 2014.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with The Baptist College of Florida, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as The Baptist College of Florida's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing The Baptist College of Florida's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

Made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and Chapter 10.650, *Rules of the Florida Auditor General*, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

The Baptist College of Florida
Page Four

This report is intended solely for the information and use of the Board of Trustees and management of The Baptist College of Florida and is not intended to be and should not be used by anyone other than these specified parties.

McDaniel & Associates, P.C.

Dothan, Alabama
December 4, 2014