

**THE ASSOCIATION FOR  
BIBLICAL HIGHER  
EDUCATION, INC.**

**(A Not-For-Profit Corporation)**

**FINANCIAL STATEMENTS**  
**(With Independent Auditor's Report Thereon)**

**Years Ended August 31, 2017 and 2016**

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
*The Association for Biblical Higher Education, Inc.*

We have audited the accompanying financial statements of The Association for Biblical Higher Education, Inc. (a nonprofit corporation) (the Association), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

**MCDIRMIT DAVIS & COMPANY, LLC**

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Association for Biblical Higher Education, Inc. as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedules are presented for purposes of additional analysis and are 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
January 8, 2018

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**STATEMENTS OF FINANCIAL POSITION**

August 31, 2017 and 2016

|                                       | 2017       | 2016       |
|---------------------------------------|------------|------------|
| <b>ASSETS</b>                         |            |            |
| Current Assets:                       |            |            |
| Cash and cash equivalents             | \$ 362,135 | \$ 324,085 |
| Accounts receivable, net              | 23,966     | 51,310     |
| Inventory                             | 2,302      | 2,558      |
| Prepaid expenses                      | 66,278     | 67,966     |
| Total current assets                  | 454,681    | 445,919    |
| Property and Equipment, net           | 51,377     | 102,799    |
| Intangible Assets                     | -          | 89         |
| Other Assets                          | 9,206      | 9,206      |
| Total assets                          | \$ 515,264 | \$ 558,013 |
| <b>LIABILITIES AND NET ASSETS</b>     |            |            |
| Current Liabilities:                  |            |            |
| Accounts payable and accrued expenses | \$ 89,344  | \$ 102,633 |
| Deferred revenue                      | 103,082    | 133,796    |
| Total current liabilities             | 192,426    | 236,429    |
| Deferred Rent Payable                 | 5,473      | 22,162     |
| Total liabilities                     | 197,899    | 258,591    |
| Net Assets:                           |            |            |
| Unrestricted                          | 287,370    | 229,772    |
| Temporarily restricted                | 29,995     | 69,650     |
| Total net assets                      | 317,365    | 299,422    |
| Total liabilities and net assets      | \$ 515,264 | \$ 558,013 |

The accompanying Notes to Financial Statements are an integral part of these statements.

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**STATEMENTS OF ACTIVITIES**

Years Ended August 31, 2017 and 2016

|   | <u>Year Ended August 31, 2017</u> |                                   |                   | <u>Year Ended August 31, 2016</u> |                                   |                   |
|---|-----------------------------------|-----------------------------------|-------------------|-----------------------------------|-----------------------------------|-------------------|
|   | <u>Unrestricted</u>               | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      | <u>Unrestricted</u>               | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      |
| Changes in Net Assets:  |                                   |                                   |                   |                                   |                                   |                   |
| Support and Revenue:  |                                   |                                   |                   |                                   |                                   |                   |
| Membership assessments  | \$ 874,011                        | \$ -                              | \$ 874,011        | 877,810                           | \$ -                              | \$ 877,810        |
| Evaluation and consultation fees  | 204,681                           | -                                 | 204,681           | 275,572                           | -                                 | 275,572           |
| Annual meeting charges  | 219,041                           | -                                 | 219,041           | 199,250                           | -                                 | 199,250           |
| Publications and literature sales   | 5,090                             | -                                 | 5,090             | 5,184                             | -                                 | 5,184             |
| Contributions   | 86,511                            | 73,000                            | 159,511           | 35,121                            | 294,567                           | 329,688           |
| Web/IT product, net of related<br>expenses of \$60,141 and \$77,175<br>respectively | 174,060                           | -                                 | 174,060           | 136,980                           | -                                 | 136,980           |
| Other income, net   | 3,284                             | -                                 | 3,284             | 8,020                             | -                                 | 8,020             |
| Net assets released<br>from restrictions  | 112,655                           | (112,655)                         | -                 | 325,080                           | (325,080)                         | -                 |
| Total Support and Revenue   | <u>1,679,333</u>                  | <u>(39,655)</u>                   | <u>1,639,678</u>  | <u>1,863,017</u>                  | <u>(30,513)</u>                   | <u>1,832,504</u>  |
| Expenses:   |                                   |                                   |                   |                                   |                                   |                   |
| Program services  | 1,236,246                         | -                                 | 1,236,246         | 1,510,431                         | -                                 | 1,510,431         |
| General and administrative  | 385,489                           | -                                 | 385,489           | 398,323                           | -                                 | 398,323           |
| Total Expenses  | <u>1,621,735</u>                  | <u>-</u>                          | <u>1,621,735</u>  | <u>1,908,754</u>                  | <u>-</u>                          | <u>1,908,754</u>  |
| Increase (Decrease) in Net Assets   | 57,598                            | (39,655)                          | 17,943            | (45,737)                          | (30,513)                          | (76,250)          |
| Net Assets - beginning of year  | 229,772                           | 69,650                            | 299,422           | 275,509                           | 100,163                           | 375,672           |
| Net Assets - end of year  | <u>\$ 287,370</u>                 | <u>\$ 29,995</u>                  | <u>\$ 317,365</u> | <u>\$ 229,772</u>                 | <u>\$ 69,650</u>                  | <u>\$ 299,422</u> |

The accompanying Notes to Financial Statements are an integral part of these statements.

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**STATEMENT OF FUNCTIONAL EXPENSES - 2017**

Years Ended August 31, 2017 and 2016

|                               | <u>Program Services</u>  |                          |                            | <u>General and Administrative</u> |                          |                          | Total<br>Expenses          |
|-------------------------------|--------------------------|--------------------------|----------------------------|-----------------------------------|--------------------------|--------------------------|----------------------------|
|                               | <u>Association</u>       | <u>Commission</u>        | <u>Subtotal</u>            | <u>Association</u>                | <u>Commission</u>        | <u>Subtotal</u>          |                            |
| Annual Meeting                | \$ 154,471               | \$ -                     | \$ 154,471                 | \$ -                              | \$ -                     | \$ -                     | \$ 154,471                 |
| Board/Executive Committee     | -                        | -                        | -                          | 12,262                            | -                        | 12,262                   | 12,262                     |
| Commission on Accreditation   | -                        | 21,015                   | 21,015                     | -                                 | -                        | -                        | 21,015                     |
| Depreciation and Amortization | 25,663                   | 24,571                   | 50,234                     | 4,369                             | -                        | 4,369                    | 54,603                     |
| Dues and Subscriptions        | 3,893                    | 997                      | 4,890                      | -                                 | -                        | -                        | 4,890                      |
| Equipment Rental              | 507                      | -                        | 507                        | 4,243                             | 1,584                    | 5,827                    | 6,334                      |
| Health Insurance              | 29,646                   | 26,196                   | 55,842                     | 8,844                             | 14,105                   | 22,949                   | 78,791                     |
| Insurance                     | 10,878                   | 5,415                    | 16,293                     | 12,996                            | -                        | 12,996                   | 29,289                     |
| Leadership Development        | 82,348                   | -                        | 82,348                     | -                                 | -                        | -                        | 82,348                     |
| Miscellaneous                 | 15,085                   | 1,200                    | 16,285                     | 9,718                             | 11,107                   | 20,825                   | 37,110                     |
| Office Expense                | 12,114                   | 5,023                    | 17,137                     | 2,558                             | -                        | 2,558                    | 19,695                     |
| Postage and Printing          | 537                      | -                        | 537                        | 2,147                             | 895                      | 3,042                    | 3,579                      |
| Professional Fees             | 96,762                   | 2,905                    | 99,667                     | 6,012                             | 40                       | 6,052                    | 105,719                    |
| Rent                          | 60,899                   | 44,921                   | 105,820                    | 12,729                            | 11,230                   | 23,959                   | 129,779                    |
| Repairs and Maintenance       | 235                      | -                        | 235                        | 857                               | 821                      | 1,678                    | 1,913                      |
| Resource Development          | -                        | -                        | -                          | 12,509                            | -                        | 12,509                   | 12,509                     |
| Salaries and Benefits         | 350,907                  | 202,786                  | 553,693                    | 142,102                           | 109,193                  | 251,295                  | 804,988                    |
| Telephone and Utilities       | 20,185                   | 6,386                    | 26,571                     | 3,571                             | 1,597                    | 5,168                    | 31,739                     |
| Travel                        | 24,388                   | 6,313                    | 30,701                     | -                                 | -                        | -                        | 30,701                     |
| <b>Total expenses</b>         | <b><u>\$ 888,518</u></b> | <b><u>\$ 347,728</u></b> | <b><u>\$ 1,236,246</u></b> | <b><u>\$ 234,917</u></b>          | <b><u>\$ 150,572</u></b> | <b><u>\$ 385,489</u></b> | <b><u>\$ 1,621,735</u></b> |

The accompanying Notes to Financial Statements are an integral part of these statements.

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**STATEMENT OF FUNCTIONAL EXPENSES - 2016**

Years Ended August 31, 2017 and 2016

|                               | <u>Program Services</u> |                   |                     | <u>General and Administrative</u> |                   |                   | Total<br>Expenses   |
|-------------------------------|-------------------------|-------------------|---------------------|-----------------------------------|-------------------|-------------------|---------------------|
|                               | <u>Association</u>      | <u>Commission</u> | <u>Subtotal</u>     | <u>Association</u>                | <u>Commission</u> | <u>Subtotal</u>   |                     |
| Annual Meeting                | \$ 140,537              | \$ -              | \$ 140,537          | \$ -                              | \$ -              | \$ -              | \$ 140,537          |
| Board/Executive Committee     | -                       | -                 | -                   | 13,972                            | -                 | 13,972            | 13,972              |
| Commission on Accreditation   | -                       | 25,898            | 25,898              | -                                 | -                 | -                 | 25,898              |
| Depreciation and Amortization | 29,672                  | 24,342            | 54,014              | 5,245                             | -                 | 5,245             | 59,259              |
| Dues and Subscriptions        | 4,807                   | 2,500             | 7,307               | -                                 | -                 | -                 | 7,307               |
| Equipment Rental              | 507                     | -                 | 507                 | 4,243                             | 1,583             | 5,826             | 6,333               |
| Health Insurance              | 66,321                  | 21,617            | 87,938              | 15,482                            | 10,639            | 26,121            | 114,059             |
| Honoraria                     | -                       | 1,095             | 1,095               | -                                 | -                 | -                 | 1,095               |
| Insurance                     | 11,763                  | 4,561             | 16,324              | 10,398                            | -                 | 10,398            | 26,722              |
| Leadership Development        | 194,946                 | -                 | 194,946             | -                                 | -                 | -                 | 194,946             |
| Miscellaneous                 | 44,065                  | 7,848             | 51,913              | 14,114                            | 35,232            | 49,346            | 101,259             |
| Office Expense                | 11,365                  | 4,279             | 15,644              | 1,887                             | -                 | 1,887             | 17,531              |
| Postage and Printing          | 555                     | -                 | 555                 | 2,220                             | 932               | 3,152             | 3,707               |
| Professional Fees             | 88,584                  | 2,384             | 90,968              | 4,517                             | -                 | 4,517             | 95,485              |
| Rent                          | 63,149                  | 44,205            | 107,354             | 13,156                            | 11,051            | 24,207            | 131,561             |
| Repairs and Maintenance       | 220                     | -                 | 220                 | 1,377                             | 1,157             | 2,534             | 2,754               |
| Resource Development          | -                       | -                 | -                   | 12,605                            | -                 | 12,605            | 12,605              |
| Salaries and Benefits         | 466,026                 | 184,105           | 650,131             | 142,323                           | 99,134            | 241,457           | 891,588             |
| Telephone and Utilities       | 19,609                  | 6,493             | 26,102              | 3,264                             | 1,623             | 4,887             | 30,989              |
| Travel                        | 25,011                  | 6,136             | 31,147              | -                                 | -                 | -                 | 31,147              |
| Total expenses                | <u>\$ 1,167,137</u>     | <u>\$ 335,463</u> | <u>\$ 1,502,600</u> | <u>\$ 244,803</u>                 | <u>\$ 161,351</u> | <u>\$ 406,154</u> | <u>\$ 1,908,754</u> |

The accompanying Notes to Financial Statements are an integral part of these statements.



THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**STATEMENTS OF CASH FLOWS**

Years Ended August 31, 2017 and 2016

|  | 2017         | 2016         |
|--|--------------|--------------|
| Cash Flows From Operating Activities:  |              |              |
| Cash received from members and customers   | \$ 1,476,797 | \$ 1,450,823 |
| Contributions received   | 159,511      | 329,688      |
| Payments to employees and suppliers  | (1,594,645)  | (1,827,306)  |
| Net Cash Provided (Used) For Operating Activities  | 41,663       | (46,795)     |
| Cash Flows From Investing Activities:  |              |              |
| Purchases of property and equipment  | (3,613)      | (1,321)      |
| Net Cash Used In Investing Activities  | (3,613)      | (1,321)      |
| Net Increase (Decrease) in Cash and Cash Equivalents   | 38,050       | (48,116)     |
| Cash and Cash Equivalents - beginning of year  | 324,085      | 372,201      |
| Cash and Cash Equivalents - end of year  | \$ 362,135   | \$ 324,085   |
| Reconciliation of Increase (Decrease) in Net Assets to<br>Net Cash Provided By (Used For) Operating Activities:        |              |              |
| Increase (decrease) in net assets  | \$ 17,943    | \$ (76,250)  |
| Adjustments to reconcile increase (decrease) in<br>net assets to net cash provided by (used for) operating activities: |              |              |
| Depreciation expense   | 54,514       | 58,784       |
| Loss on sale of equipment  | 521          | -            |
| Amortization expense   | 89           | 475          |
| Total  | 73,067       | (16,991)     |
| Changes in operating assets and liabilities:   |              |              |
| (Increase) decrease in:  |              |              |
| Accounts receivable  | 27,344       | (6,435)      |
| Inventory  | 256          | 2,497        |
| Prepaid expenses and other assets  | 1,688        | 20,329       |
| Increase (decrease) in:  |              |              |
| Accounts payable and accrued expenses  | (13,289)     | 18,481       |
| Deferred revenue   | (30,714)     | (45,558)     |
| Deferred rent payable  | (16,689)     | (19,118)     |
| Net Cash Provided (Used) For Operating Activities  | \$ 41,663    | \$ (46,795)  |

The accompanying Notes to Financial Statements are an integral part of these statements.

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS**

Years Ended August 31, 2017 and 2016

**Note 1 - Nature of Activities and Summary of Significant Accounting Policies:**

Nature of activities - The Association for Biblical Higher Education, Inc. (the Association) was established in 1947. The mission of the Association is to enhance the quality and credibility of postsecondary educational institutions that distinctively engage students in biblical, transformational, experiential, and missional higher education. The Association seeks to fulfill its mission by: (a) articulating biblical higher education's distinctives and communicating the excellence and effectiveness of its members to internal and external stakeholders, including prospective students and parents, donors, students, alumni, faculty, the higher education community, the church, governmental and regulatory entities, and society, (b) providing professional resources and services that exemplify and stimulate excellence among administrators, trustees, faculty, and students at member and affiliate institutions, (c) fostering networking and synergy among member and affiliate institutions and with the broader higher education community, and (d) supporting the work of a separate and independent Commission on Accreditation (the Commission) to assure quality and integrity among biblical higher education institutions and programs through accreditation standards and peer review processes.

The Commission exercises independent authority over accreditation decisions, policies, procedures and peer review processes. Through its *standards* and peer review accreditation process, the Commission is responsible to ensure institutional quality and integrity and to serve as a catalyst toward excellence among institutions in accord with the Association's educational distinctives. The Commission establishes its own annual budget, including a schedule of fees related to its accreditation services. The Association budget includes allocation of fair market value expenses that the Commission pays to the Association for its joint proportional share of Association personnel, services, equipment and facilities.

Basis of presentation - The Association's financial statements have been prepared on the accrual basis of accounting.

The Association's financial statements are prepared in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (FASB ASC) 958-605, *Accounting for Contributions Received and Contributions Made*, and FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*.

FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as contributions at fair value at the date the promises are received or made. FASB ASC 658-605 also requires the Association to distinguish between promises received for each net asset category in accordance with donor restrictions, if any.

Under FASB ASC 958-205, net assets and revenue, expenses, gains and losses are classified as temporarily restricted, permanently restricted, or unrestricted based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified as follows:

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Years Ended August 31, 2017 and 2016

**Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued):**

Unrestricted net assets - Net assets available for the support of the Association's operations. The unrestricted net assets may be used at the discretion of the Association's management and the Board of Directors and are not subject to any donor restrictions.

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations to be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the earnings on related investments for the general or specific purposes. The Association does not have any donor-imposed permanently restricted net assets.

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed or contractual restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by contract. Expirations of the temporary donor imposed or contractual restrictions on net assets are reported as reclassifications to unrestricted net assets in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed and/or the stipulated purpose has been fulfilled.

Revenue recognition - Membership assessments are recognized as revenue ratably over the membership period and dues collected, but not yet earned, are recorded as deferred revenue. Annual meeting charges are recognized at the time of the meeting. Revenue from evaluations and consultations are recognized in the period the evaluation or consultation occurred. Revenue from sales of web/IT subscriptions are recognized as revenue ratably over the product period and fees collected, but not yet earned, are recorded as deferred revenue.

Contributions - Contributions, including unconditional promises (pledges) to give, are recorded when made, which may be when cash is received, unconditionally promised, or ownership of donated assets is transferred. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period in which the contributions are received are classified as unrestricted contributions.

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Years Ended August 31, 2017 and 2016

**Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued):**

Cash and cash equivalents - Cash and cash equivalents include demand deposit and money market accounts, certificates of deposit, and other highly liquid investments with an original maturity of three months or less.

Inventory - Inventory consists of miscellaneous promotional items and books written by the president of the Association and sold through the Association's website and conferences. Inventory is valued at the lower of cost or market.

Accounts receivable - Accounts receivable is stated at the amount of the uncollected balance less an allowance for doubtful accounts, if needed. Management's periodic evaluation of the adequacy of the allowance is based on past experience and adverse situations that may affect the member's ability to pay. Receivables are written off when deemed uncollectible. For the years ended August 31, 2017 and 2016, the allowance for doubtful accounts amounted to \$2,000 and \$2,769, respectively.

Property and equipment - Property and equipment is stated at cost if purchased or, if acquired by contribution, at the estimated fair market value on the date of contribution, less accumulated depreciation. The Association provides for depreciation on property and equipment over the estimated useful lives of the related assets using the straight-line method. The Association follows the practice of capitalizing all expenditures for property and equipment in excess of \$500 with an estimated useful life of greater than one year. The useful lives of the various classes of assets are as follows:

|                        |              |
|------------------------|--------------|
| Leasehold Improvement  | 15 years     |
| Furniture and Fixtures | 7 - 10 years |
| Office Equipment       | 5 - 10 years |

Amortization - Costs associated with the issuance of the Association's website domain are capitalized and amortized using the straight-line method over the term of the related asset. At August 31, 2017 and 2016, the costs of website domain registration are \$5,000 with accumulated amortization of \$5,000 and \$4,911, respectively. Amortization expense totaled \$89 and \$475 for years ended August 31, 2017 and 2016, respectively.

Income taxes - The Association is exempt from federal and State income taxes as a Not-for-Profit corporation under Internal Revenue Section 501(c)(3). Income from activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income at statutory corporate tax rates. For the years ended August 31, 2017 and 2016, the Association did not incur any unrelated business income.

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Years Ended August 31, 2017 and 2016

**Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued):**

Income taxes (Continued) - The Association has adopted the application of the uncertain tax position provisions of FASB ASC 740, *Income Taxes*. It prescribes an evaluation process for the financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. The provisions related to uncertainty in income taxes were applied to all tax positions upon adoption. This adoption had no impact on the Association's financial statements. As of August 31, 2017, the Association has accrued no interest and penalties related to uncertain tax positions. It is the Association's policy to recognize interest and penalties related to income tax matters in other expense. In general, the Association is no longer subject to examinations by tax authorities for U.S. federal or state income tax returns before fiscal year ended August 31, 2014.

Fair value of financial instruments - FASB ASC 825-10, *Accounting Financial Instruments*, provides guidance on financial instruments with off-balance sheet credit risk. The fair value of the Association's cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses approximates their carrying values due to the short-term maturities of these instruments.

Donated services - Donated services are recognized as contributions in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. No amounts have been reflected in the accompanying financial statements for such services since they do not meet the criteria for recognition under FASB ASC 958-605.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported 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.

Functional allocation of expenses - The costs of providing the various services the Association offers have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on systematic methods and estimates made by management.

Reclassifications - Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. Those reclassifications have no effect on previously reported changes in net assets available for benefits.

Subsequent events - The Association has evaluated subsequent events through the date of the independent auditor's report, the date which the accompanying financial statements were available to be issued.

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Years Ended August 31, 2017 and 2016

**Note 2 - Property and Equipment:**

The following is a summary of property and equipment as of August 31, 2017 and 2016:

|                                | 2017      | 2016       |
|--------------------------------|-----------|------------|
| Leasehold Improvements         | \$ 72,240 | \$ 72,240  |
| Furniture and Fixtures         | 144,588   | 144,588    |
| Office Equipment               | 124,796   | 122,120    |
|                                | 341,624   | 338,948    |
| Less: accumulated depreciation | (290,247) | (236,149)  |
| Property and Equipment, net    | \$ 51,377 | \$ 102,799 |

Depreciation totaled \$54,514 and \$58,784 for the years ended August 31, 2017 and 2016, respectively.

**Note 3 - Commitments and Contingencies:**

Operating leases - Effective August 1, 2010, the Association entered into a lease agreement for certain office space pursuant to an operating lease agreement which expired in 2017. The Association renewed the lease during 2017 extending the term to 2024. The Association is also obligated under non-cancelable operating leases for various equipment. The Association recognizes rent expense for operating leases with rent escalation clauses on a straight-line basis over the applicable lease term. Deferred rent payable of \$5,473 and \$22,162 represents the difference between the straight-line rent expense and the actual rent paid as of August 31, 2017 and 2016. Total rentals under operating leases amounted to \$125,624 and \$126,862 for the years ended August 31, 2017 and 2016, respectively. The following table presents future minimum lease payments due under operating leases with initial or remaining non-cancelable lease terms in excess of one year at August 31, 2017:

| <u>Year Ending August 31,</u> | <u>Amount</u> |
|-------------------------------|---------------|
| 2018                          | \$ 144,584    |
| 2019                          | 148,537       |
| 2020                          | 150,179       |
| 2021                          | 154,103       |
| 2022                          | 158,284       |
| Thereafter                    | 259,677       |
|                               | \$ 1,015,364  |

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Years Ended August 31, 2017 and 2016

**Note 3 - Commitments and Contingencies (Continued):**

Purchases - The Association has contracted with hotels in Florida to hold conferences in 2018, 2019, 2020 and 2021. These conferences have minimum commitments for room, food and beverage and cancelation penalties of approximately \$280,000.

The Association has a three year contract with a company for website usage through March 2018 with \$5,500 due annually.

**Note 4 - Related Party Transactions:**

The Association has entered into an agreement with certain employees to share revenues derived from ABHE-solutions software subscriptions. The agreement provides that the Association will receive 100% of the revenues from the software subscriptions and reimburse 35% of the revenue to the employees. For the years ended August 31, 2017 and 2016, such reimbursements amounted to \$60,141 and \$77,175, respectively.

**Note 5 - Net Assets:**

Temporarily restricted net assets - Temporarily restricted net assets at August 31, 2017 and 2016 are available to support the leadership development fund.

Net assets released from restrictions - Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. For the years ended August 31, 2017 and 2016, temporarily restricted net assets in the amount of \$112,655 and \$320,080 respectively, were released and used for the leadership development fund.

**Note 6 - Retirement Plan:**

The Association sponsors a defined contribution (money purchase) plan for all full-time employees over age 25 that have completed one year of service. Participation is voluntary; plan contributions for employees other than the President are 5% of salary by the participant, and 5% of salary by the Association. Policy dictates that contributions for the President shall be established by special action of the Executive Committee, currently set at 5% of salary. Contributions are forwarded to TIAA-CREF to be applied as premiums or regular retirement annuity contracts owned by the participants. Total Association contributions to the plan for the years ended August 31, 2017 and 2016 amounted to \$35,676 and \$39,016, respectively.

**SUPPLEMENTAL SCHEDULES**



THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**COMBINING SCHEDULE - STATEMENT OF FINANCIAL POSITION**

August 31, 2017

|                                       | <u>Association</u> | <u>Commission</u> | <u>Eliminations</u> | <u>Total</u>      |
|---------------------------------------|--------------------|-------------------|---------------------|-------------------|
| <b>ASSETS</b>                         |                    |                   |                     |                   |
| Current Assets:                       |                    |                   |                     |                   |
| Cash and cash equivalents             | \$ 78,259          | \$ 283,876        | \$ -                | \$ 362,135        |
| Accounts receivable, net              | 3,913              | 20,053            | -                   | 23,966            |
| Inventory                             | 2,302              | -                 | -                   | 2,302             |
| Intercompany                          | 10,448             | -                 | (10,448)            | -                 |
| Prepaid expenses                      | 66,278             | -                 | -                   | 66,278            |
| Total current assets                  | 161,200            | 303,929           | (10,448)            | 454,681           |
| Property and Equipment, net           | 51,377             | -                 | -                   | 51,377            |
| Intangible Assets                     | -                  | -                 | -                   | -                 |
| Other Assets                          | 9,206              | -                 | -                   | 9,206             |
| Total assets                          | <u>\$ 221,783</u>  | <u>\$ 303,929</u> | <u>\$ (10,448)</u>  | <u>\$ 515,264</u> |
| <b>LIABILITIES AND NET ASSETS</b>     |                    |                   |                     |                   |
| Current Liabilities:                  |                    |                   |                     |                   |
| Accounts payable and accrued expenses | \$ 61,748          | \$ 27,596         | \$ -                | \$ 89,344         |
| Deferred revenue                      | 103,082            | -                 | -                   | 103,082           |
| Intercompany                          | -                  | 10,448            | (10,448)            | -                 |
| Total current liabilities             | 164,830            | 38,044            | (10,448)            | 192,426           |
| Deferred Rent Payable                 | 5,473              | -                 | -                   | 5,473             |
| Total liabilities                     | <u>170,303</u>     | <u>38,044</u>     | <u>(10,448)</u>     | <u>197,899</u>    |
| Net Assets:                           |                    |                   |                     |                   |
| Unrestricted                          | 21,485             | 265,885           | -                   | 287,370           |
| Temporarily restricted                | 29,995             | -                 | -                   | 29,995            |
| Total net assets                      | <u>51,480</u>      | <u>265,885</u>    | <u>-</u>            | <u>317,365</u>    |
| Total liabilities and net assets      | <u>\$ 221,783</u>  | <u>\$ 303,929</u> | <u>\$ (10,448)</u>  | <u>\$ 515,264</u> |

See Independent Auditor's Report

THE ASSOCIATION FOR BIBLICAL HIGHER EDUCATION, INC.  
(A Not-For-Profit Corporation)

**COMBINING SCHEDULE - STATEMENT OF ACTIVITIES**

Year Ended August 31, 2017

|  | Association      |                           |                  | Commission        |                           |                   | Total             |                           |                   |
|--|------------------|---------------------------|------------------|-------------------|---------------------------|-------------------|-------------------|---------------------------|-------------------|
|  | Unrestricted     | Temporarily<br>Restricted | Total            | Unrestricted      | Temporarily<br>Restricted | Total             | Unrestricted      | Temporarily<br>Restricted | Total             |
| Changes in Net Assets:                                 |                  |                           |                  |                   |                           |                   |                   |                           |                   |
| Support and Revenue:                                   |                  |                           |                  |                   |                           |                   |                   |                           |                   |
| Membership assessments                                 | \$ 576,462       | \$ -                      | \$ 576,462       | \$ 297,549        | \$ -                      | \$ 297,549        | \$ 874,011        | \$ -                      | \$ 874,011        |
| Evaluation and consultation fees                       | -                | -                         | -                | 204,681           | -                         | 204,681           | 204,681           | -                         | 204,681           |
| Annual meeting charges                                 | 219,041          | -                         | 219,041          | -                 | -                         | -                 | 219,041           | -                         | 219,041           |
| Publications and literature sales                      | 5,090            | -                         | 5,090            | -                 | -                         | -                 | 5,090             | -                         | 5,090             |
| Contributions  | 86,511           | 73,000                    | 159,511          | -                 | -                         | -                 | 86,511            | 73,000                    | 159,511           |
| Web/IT product, net of<br>related expenses of \$60,141 | 174,060          | -                         | 174,060          | -                 | -                         | -                 | 174,060           | -                         | 174,060           |
| Other income, net                                      | 3,284            | -                         | 3,284            | -                 | -                         | -                 | 3,284             | -                         | 3,284             |
| Net assets released<br>from restrictions               | 112,655          | (112,655)                 | -                | -                 | -                         | -                 | 112,655           | (112,655)                 | -                 |
| Total Support and Revenue                              | 1,177,103        | (39,655)                  | 1,137,448        | 502,230           | -                         | 502,230           | 1,679,333         | (39,655)                  | 1,639,678         |
| Expenses:  |                  |                           |                  |                   |                           |                   |                   |                           |                   |
| Program services                                       | 888,518          | -                         | 888,518          | 347,728           | -                         | 347,728           | 1,236,246         | -                         | 1,236,246         |
| General and administrative                             | 234,917          | -                         | 234,917          | 150,572           | -                         | 150,572           | 385,489           | -                         | 385,489           |
| Total Expenses   | 1,123,435        | -                         | 1,123,435        | 498,300           | -                         | 498,300           | 1,621,735         | -                         | 1,621,735         |
| Increase (Decrease) in Net Assets                      | 53,668           | (39,655)                  | 14,013           | 3,930             | -                         | 3,930             | 57,598            | (39,655)                  | 17,943            |
| Net Assets - beginning of year                         | (32,183)         | 69,650                    | 37,467           | 261,955           | -                         | 261,955           | 229,772           | 69,650                    | 299,422           |
| Net Assets - end of year                               | <u>\$ 21,485</u> | <u>\$ 29,995</u>          | <u>\$ 51,480</u> | <u>\$ 265,885</u> | <u>\$ -</u>               | <u>\$ 265,885</u> | <u>\$ 287,370</u> | <u>\$ 29,995</u>          | <u>\$ 317,365</u> |

See Independent Auditor's Report