

# **LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL**

***FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

**JUNE 30, 2009**

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

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# TAIT, WELLER & BAKER LLP

*Certified Public Accountants*

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**The Board of Trustees  
Lancaster Bible College  
Lancaster, Pennsylvania**

We have audited the accompanying statement of financial position of Lancaster Bible College & Graduate School as of June 30, 2009, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College & Graduate School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Lancaster Bible College & Graduate School's 2008 financial statements and, in our report dated August 14, 2008, we expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lancaster Bible College & Graduate School as of June 30, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
September 2, 2009**

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 72,742	\$ 978,508
Accounts receivable		
Students, net of allowance of \$90,000 and \$60,000 for 2009 and 2008, respectively	237,352	170,750
Pledges ( <i>Note 4</i> )	589,725	801,240
Other	423,991	326,457
Notes receivable, current ( <i>Note 6</i> )	100,918	95,084
Prepaid and other	128,695	127,398
Inventories	<u>41,837</u>	<u>41,837</u>
<b>Total current assets</b>	<u>1,595,260</u>	<u>2,541,274</u>
Investments ( <i>Note 3</i> )	17,415,412	21,755,951
Pledges receivable, net of current portion ( <i>Note 4</i> )	674,923	761,740
Note receivable, net of current portion ( <i>Note 6</i> )	163,107	264,025
Loans receivable, net of allowance of \$7,879 for 2009 and 2008	124,450	135,786
Fixed assets, net ( <i>Note 5</i> )	<u>27,524,991</u>	<u>26,760,381</u>
	<u>45,902,883</u>	<u>49,677,883</u>
<b>Total assets</b>	<u>\$47,498,143</u>	<u>\$52,219,157</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 325,815	\$ 768,544
Deferred revenue	410,066	446,178
Current portion of notes payable ( <i>Note 7</i> )	<u>2,926,867</u>	<u>713,599</u>
<b>Total current liabilities</b>	<u>3,662,748</u>	<u>1,928,321</u>
Unitrust and annuity obligations	3,991,126	4,577,650
Notes payable, net of current portion ( <i>Note 7</i> )	4,546,401	6,004,298
Funds held for others	55,593	80,315
U.S. Government advances	<u>163,795</u>	<u>163,795</u>
	<u>8,756,915</u>	<u>10,826,058</u>
<b>Total liabilities</b>	<u>12,419,663</u>	<u>12,754,379</u>
<b>NET ASSETS</b>		
Unrestricted	20,604,159	21,613,153
Temporarily restricted ( <i>Note 8</i> )	9,785,857	13,326,825
Permanently restricted ( <i>Note 8</i> )	<u>4,688,464</u>	<u>4,524,800</u>
<b>Total net assets</b>	<u>35,078,480</u>	<u>39,464,778</u>
<b>Total liabilities and net assets</b>	<u>\$47,498,143</u>	<u>\$52,219,157</u>

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2009 with Summarized Information for 2008

	Unrestricted			Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
	Operations	Net Investment In Plant	Total				
<b>Revenues and other additions:</b>							
Tuition and fees	\$10,027,575	\$ -	\$10,027,575	\$ -	\$ -	\$10,027,575	\$ 9,622,162
Less: Scholarships	<u>(2,499,546)</u>	<u>-</u>	<u>(2,499,546)</u>	<u>-</u>	<u>-</u>	<u>(2,499,546)</u>	<u>(2,308,594)</u>
Net tuition and fees	7,528,029	-	7,528,029	-	-	7,528,029	7,313,568
Auxiliary enterprises	4,106,930	-	4,106,930	-	-	4,106,930	4,485,480
Gifts	1,882,066	-	1,882,066	2,014,623	158,673	4,055,362	4,834,796
Government grants	316,256	-	316,256	47,501	-	363,757	388,073
Investment return designated for current operations ( <i>Note 3</i> )	158,976	-	158,976	170,577	-	329,553	284,061
Other investment income	(357,182)	-	(357,182)	(143,764)	4,991	(495,955)	(85,055)
Other income	383,405	-	383,405	11,261	-	394,666	424,110
Net assets released from temporary restrictions ( <i>Note 8</i> )	<u>813,034</u>	<u>1,737,500</u>	<u>2,550,534</u>	<u>(2,550,534)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue and other additions</b>	<u>14,831,514</u>	<u>1,737,500</u>	<u>16,569,014</u>	<u>(450,336)</u>	<u>163,664</u>	<u>16,282,342</u>	<u>17,645,033</u>
<b>Expenses and other reductions:</b>							
Instruction	4,292,274	-	4,292,274	-	-	4,292,274	4,244,886
Academic support	631,346	-	631,346	-	-	631,346	585,831
Student services	1,673,640	-	1,673,640	-	-	1,673,640	1,717,128
Institutional support	3,914,103	172,574	4,086,677	-	-	4,086,677	3,470,471
Operation and maintenance of plant	779,978	745,479	1,525,457	-	-	1,525,457	1,357,721
Auxiliary enterprises	3,229,844	5,464	3,235,308	-	-	3,235,308	3,611,466
Public support	<u>117,614</u>	<u>-</u>	<u>117,614</u>	<u>-</u>	<u>-</u>	<u>117,614</u>	<u>239,813</u>
<b>Total expenses and other reductions</b>	<u>14,638,799</u>	<u>923,517</u>	<u>15,562,316</u>	<u>-</u>	<u>-</u>	<u>15,562,316</u>	<u>15,227,316</u>
<b>Other changes in net assets:</b>							
Investment return in excess (deficit) of amount designated for current operations ( <i>Note 3</i> )	(1,580,326)	-	(1,580,326)	(214,188)	-	(1,794,514)	(545,183)
Actuarial loss on gift annuity and other trust obligations	(435,366)	-	(435,366)	(2,876,444)	-	(3,311,810)	(1,618,498)
Transfer for fixed asset purchases and debt service	<u>750,476</u>	<u>(750,476)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other changes</b>	<u>(1,265,216)</u>	<u>(750,476)</u>	<u>(2,015,692)</u>	<u>(3,090,632)</u>	<u>-</u>	<u>(5,106,324)</u>	<u>(2,163,681)</u>
<b>Increase in net assets</b>	(1,072,501)	63,507	(1,008,994)	(3,540,968)	163,664	(4,386,298)	254,036
<b>Net assets</b>							
Beginning of year	<u>1,514,967</u>	<u>20,098,186</u>	<u>21,613,153</u>	<u>13,326,825</u>	<u>4,524,800</u>	<u>39,464,778</u>	<u>39,210,742</u>
<b>End of year</b>	<u>\$ 442,466</u>	<u>\$20,161,693</u>	<u>\$20,604,159</u>	<u>\$ 9,785,857</u>	<u>\$4,688,464</u>	<u>\$35,078,480</u>	<u>\$39,464,778</u>

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

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## STATEMENTS OF CASH FLOWS

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Increase in net assets</i>	\$(4,386,298)	\$ 254,036
<i>Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	923,517	830,393
Realized (gain) loss on investments	843,275	(90,369)
Unrealized loss on investments	1,417,559	984,398
Actuarial loss on gift annuities and other trusts	3,311,810	1,618,498
Actuarial liability for annuities and trusts issued	490,103	258,991
(Increase) decrease in		
Accounts and pledges receivable	134,196	85,308
Inventories	-	16,333
Prepaid expenses	(1,297)	(58,115)
Increase (decrease) in		
Accounts payable and accrued expenses	(442,729)	(52,026)
Deferred revenue	(36,112)	(8,881)
Funds held for others	(24,722)	(10,715)
Contributions restricted for long-term investment	<u>(2,158,637)</u>	<u>(1,480,692)</u>
<b>Net cash provided by operating activities</b>	<u>70,665</u>	<u>2,347,159</u>
<i>Cash flows from investing activities</i>		
Proceeds from sales of investments	7,895,914	9,018,759
Purchase of investments	(7,434,298)	(10,407,658)
(Increase) decrease in money market funds and certificates of deposit	(1,345,713)	682,086
Purchase of property and equipment	(1,688,127)	(1,941,032)
Disbursements of loans to students	(4,000)	(5,750)
Repayments of loans to students	15,336	17,037
Payment on note receivable	<u>95,084</u>	<u>111,162</u>
<b>Net cash used for investing activities</b>	<u>(2,465,804)</u>	<u>(2,525,396)</u>
<i>Cash flows from financing activities</i>		
Contributions restricted for endowment	158,637	480,692
Contributions restricted for unitrust and annuity obligations	2,000,000	1,000,000
Investment income net of payments on unitrust and annuity obligations	(1,424,635)	(1,213,165)
Proceeds from issuance of notes payable	1,545,268	801,264
Payment on notes payable	(789,897)	(170,000)
U.S. Government advance activity	<u>-</u>	<u>(1,745)</u>
<b>Net cash provided by financing activities</b>	<u>1,489,373</u>	<u>897,046</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(905,766)	718,809
<i>Cash and cash equivalents</i>		
Beginning of year	<u>978,508</u>	<u>259,699</u>
<b>End of year</b>	<u>\$ 72,742</u>	<u>\$ 978,508</u>

NOTE: Cash paid for interest was \$392,818 and \$363,042 in 2009 and 2008, respectively.

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

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### (1) NATURE OF ACTIVITIES

Lancaster Bible College & Graduate School (the “*College*”) is located in Lancaster, Pennsylvania. The College is supported primarily by tuition, contributions and earnings on investments.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Lancaster Bible College (“*College*”) are described below:

#### ***BASIS OF PRESENTATION***

On December 1, 2003, Ambassador Foundation (“*Foundation*”) was established as a public charity under Section 501(c)(3) to support the interest of the College and similar non-profit organizations. The College, as sole member of the Foundation, has the authority to appoint the Board of Directors (“*Board*”) of the Foundation with the limitation that no more than one-third of the Board may also be members of the Board of Trustees of the College. Since the College does not have both a majority voting interest and an economic interest in the Foundation consolidation is not permitted.

On September 30, 2003, the College also established Ambassador Advisors, LLC, a Pennsylvania limited liability company (“*LLC*”), to engage in the business of providing financial advice and related services. The financial statements include the financial position and results of operations of LLC for the years ended June 30, 2009 and 2008. The income and expenses of LLC are included in auxiliary enterprises on the statement of activities. Significant intercompany transactions and balances have been eliminated in consolidation.

#### ***USE OF ESTIMATES***

The preparation of 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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

#### ***SUBSEQUENT EVENTS***

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, September 2, 2009, have been evaluated in the preparation of the financial statements.

#### ***CASH EQUIVALENTS***

Cash, certificates of deposits, money market accounts and other highly liquid investments purchased with maturities of three months or less are considered to be cash equivalents.

#### ***CONCENTRATION OF CREDIT RISK***

The College occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 107 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which the deposits are made.

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

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### **INVESTMENTS**

Investments are recorded at quoted market value or fair value. Realized gains and losses are computed on the average cost method. Unrealized gains and losses are charged or credited to the statement of activities.

### **INVENTORIES**

Inventories are stated at cost determined by the specific identification method. Inventories consist primarily of items used by the College copy center and plant operations.

### **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment totaling \$4,560,000 is stated at historical cost appraised values as determined by Associated Appraisers, Inc. in 1979. Subsequent additions are recorded at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is recorded on the straight-line method over the estimated useful lives of plant and equipment which range from 5 to 100 years.

### **DEFERRED REVENUE**

Deferred revenue results from the recognition of tuition and other fees in the period in which the related educational instruction is performed. Accordingly, tuition and fees for the next school term are deferred until the instruction commences.

### **NET ASSETS**

A description of the three net asset categories follows.

*Unrestricted net assets* include the revenues and expenses associated with the principal educational mission of the College.

*Temporarily restricted net assets* include gifts for which donor-imposed restrictions have not been met.

*Permanently restricted net assets* include gifts, trusts, and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

### **CONTRIBUTIONS AND PROMISES TO GIVE**

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as “*net assets released from restrictions.*”

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## *NOTES TO FINANCIAL STATEMENTS – (Continued)*

**June 30, 2009 and 2008**

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### ***DONATED ASSETS AND SERVICES***

Donated marketable securities and other noncash donations are reflected as contributions in the financial statements at their estimated value at the date of donation. No amounts have been reflected in the statements for donated services since the volunteers' time does not meet the criteria necessary for recognition.

### ***INCOME TAXES***

Under provisions of the Internal Revenue Code Section 501(c)(3) and the applicable income tax regulations of Pennsylvania, the College is exempt from taxes on income other than unrelated business income. Since the College had no material unrelated business income during the years ended June 30, 2009 and 2008, no provision for income taxes has been made.

### ***LIFE INCOME AGREEMENTS AND TRUST FUNDS***

The funds held subject to life income provisions include amounts held subject to the payment to life beneficiaries of stated amounts in the case of gift annuities and unitrusts. On maturity, the remainder interests revert to the College. In accordance with provisions of the U.S. Internal Revenue Code, the assets of the segregated gift annuity are segregated from other assets of the organization.

The actuarial valuations of the gift annuities and unitrusts are recorded as unitrust and annuity obligations. The present value of the annuities and unitrust agreements was determined using discount rates ranging from 2.8% to 10%.

The trust funds are considered temporarily restricted net assets and represent funds held irrevocably in trust by others, the earnings thereon to benefit the College. Substantially, all of the Trust Funds will be distributed 100% to the College.

### ***RECLASSIFICATIONS***

Certain reclassifications were made to the 2008 financial statements to conform to the 2009 presentation.

### ***PRIOR YEAR INFORMATION***

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's audited financial statements for the year ended June 30, 2008, from which the summarized information was derived.

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

### (3) INVESTMENTS

Investments at June 30, 2009 and 2008 consist of the following:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Certificates of deposit	\$ 155,000	\$ 155,000	\$ 310,000	\$ 310,000
Mutual Funds				
Money Markets	1,801,964	1,801,964	301,251	301,251
Equity	10,906,700	8,830,242	15,666,997	14,224,910
Bond	4,809,827	4,533,316	4,731,338	4,667,458
Corporate Bonds	78,929	48,309	48,218	43,315
Municipal Bonds	972,408	933,161	982,687	969,872
Common Stocks	739,215	1,011,669	493,223	1,141,973
Cash surrender value of life insurance	101,751	101,751	97,172	97,172
	<u>\$19,565,794</u>	<u>\$17,415,412</u>	<u>\$22,630,886</u>	<u>\$21,755,951</u>

	<u>2009</u>	<u>2008</u>
Unrestricted operations	\$ 315,930	\$ 279,444
Restricted operations	540,696	695,222
Endowments	<u>5,304,165</u>	<u>6,850,338</u>
Total	6,160,791	7,825,004
Gift annuity and trust agreements	<u>11,254,621</u>	<u>13,930,947</u>
	<u>\$17,415,412</u>	<u>\$21,755,951</u>

Income earned on investments (excluding trust agreements) during the years ended June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 98,959	\$ 202,495
Realized (losses) gains	(479,277)	29,085
Unrealized losses	(120,629)	(316,635)
Endowment income/(loss)	<u>(1,464,961)</u>	<u>(261,122)</u>
	<u>\$(1,965,908)</u>	<u>\$(346,177)</u>

Endowment investments are pooled on a market value basis, with each individual fund subscribing to or disposing of units on the basis of the value per unit at market value at the beginning of the calendar month within which the transaction occurs. The following is a summary of the pooled endowment assets at June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Book value	\$7,916,171	\$7,738,351
Market value (cash and investments)	5,302,239	6,918,935
Unit value per share	24.53	32.83
Units owned by true endowments	150,450	145,464
Units owned by quasi-endowments	65,724	65,293

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**June 30, 2009 and 2008**

Total return on endowment fund assets was \$(1,464,961) and \$(261,122) for the years ended June 30, 2009 and 2008, respectively. The College uses a fixed rate of return (“spending rate”) of 5% based on a trailing three year average market value of the endowment assets in utilizing investment income and net gains for operations.

The following table summarizes the endowment investment return and its classification in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>June 30, 2009 Total</u>	<u>June 30, 2008 Total</u>
Interest and dividends	\$ 61,788	\$ 139,170	\$ 200,958	\$ 345,358
Realized/unrealized loss on investments	(1,540,788)	(120,140)	(1,660,928)	(606,480)
Amount designated for reinvestment	<u>-</u>	<u>(4,991)</u>	<u>(4,991)</u>	<u>-</u>
Total endowment income	(1,479,000)	14,039	(1,464,961)	(261,122)
Investment income designated for current operations *	<u>101,326</u>	<u>228,227</u>	<u>329,553</u>	<u>284,061</u>
Investment income in deficiency of amount designated for current operations	<u>\$(1,580,326)</u>	<u>\$(214,188)</u>	<u>\$(1,794,514)</u>	<u>\$(545,183)</u>

	<u>Unrestricted (Quasi- Endowment)</u>	<u>Temporarily Restricted (Permanent Endowment)</u>	<u>June 30, 2009 Total</u>
* Reconciliation to Statement of Activities			
Investment return designated for current operations per above	\$101,326	\$228,227	\$329,553
Investment return – permanent endowment income unrestricted as to use	<u>57,650</u>	<u>(57,650)</u>	<u>-</u>
Per Statement of Activities – investment return	<u>\$158,976</u>	<u>\$170,577</u>	<u>\$329,553</u>

On January 1, 2008, the College adopted Financial Accounting Standards Board No. 157, “*Fair Value Measurements*” (“*FAS 157*”) which was issued in September 2006 effective for fiscal years beginning after November 15, 2007. This standard clarifies the definition of fair value and requires additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the College’s own assumptions in determining the fair value of investments)

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the College's investments as of June 30, 2009 is as follows:

	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Certificates of deposit	\$ 155,000	\$ 155,000	\$ -	\$ -
Mutual Funds				
Money Market	1,801,964	1,801,964	-	-
Equity	8,830,242	8,830,242	-	-
Bond	4,533,316	4,533,316	-	-
Corporate Bonds	48,309	-	48,309	-
Municipal Bonds	933,161	-	933,161	-
Common Stocks	1,011,669	198,465	-	813,204
Cash surrender value of life insurance	<u>101,751</u>	<u>101,751</u>	<u>-</u>	<u>-</u>
	<u>\$17,415,412</u>	<u>\$15,620,738</u>	<u>\$981,470</u>	<u>\$813,204</u>

The changes in investments measured at fair value for which the College used Level 3 inputs to determine fair value are as follows:

Balance, July 1, 2008	\$ 937,697
Stock donations	85,150
Unrealized losses	<u>(209,643)</u>
Balance, June 30, 2009	<u>\$ 813,204</u>

#### (4) PLEDGES

Pledges receivable amounted to \$1,264,648 and \$1,562,980, respectively for the years ended June 30, 2009 and 2008. The present value of the pledges receivable has been recorded in the financial statements.

Pledges at June 30, 2009 and 2008 are expected to be realized in the following periods:

	<u>2009</u>	<u>2008</u>
In less than one year	\$ 589,725	\$ 801,240
Between one and five years	753,254	1,123,098
Between five and ten years	<u>601,720</u>	<u>245,223</u>
	1,944,699	2,169,561
Less: discount at 6%	(384,547)	(216,204)
Less: allowance for uncollectible pledges	<u>(295,504)</u>	<u>(390,377)</u>
	<u>\$1,264,648</u>	<u>\$1,562,980</u>

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

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### (5) PROPERTY, BUILDINGS AND EQUIPMENT

As of June 30, 2009 and 2008, the components of the College's investment in physical plant were as follows:

	<u>2009</u>	<u>2008</u>
Land and land improvements	\$ 9,032,099	\$ 8,968,589
Buildings	21,627,466	20,800,221
Equipment, furniture and fixtures	<u>7,088,479</u>	<u>6,291,106</u>
	37,748,044	36,059,916
Less: accumulated depreciation	<u>10,223,053</u>	<u>9,299,535</u>
	<u>\$27,524,991</u>	<u>\$26,760,381</u>

In March 2005, the Financial Accounting Standards Board (“FASB”) Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations, and interpretation of FASB Statement No. 143” (“FIN 47”) was issued. FIN 47 clarifies that conditional asset retirement obligations (“AROs”) meet the definition of liabilities and should be recognized when incurred if their fair value can be reasonably estimated. As of June 30, 2009, the College was unable to estimate the range of settlement dates and the related probabilities for certain asbestos remediation AROs. These conditional AROs are primarily related to the asbestos that the College would remediate only if it performed major renovations of certain existing buildings. Because these conditional obligations have indeterminate settlement dates, the College could not develop a reasonable estimate of their fair values. The College will continue to assess its ability to estimate fair values at each future reporting date. The related liability will be recognized once sufficient additional information becomes available.

### (6) NOTE RECEIVABLE

During the year ended June 30, 2002, the College sold a portion of its stock in a privately-held company back to the company in exchange for a \$856,472 promissory note. The note bears interest at 6% and is payable in 40 quarterly installments of \$28,627. Details of the note receivable are as follows:

	<u>2009</u>	<u>2008</u>
Note receivable	\$264,025	\$359,109
Less: Current portion	<u>100,918</u>	<u>95,084</u>
Note receivable, net of current portion	<u>\$163,107</u>	<u>\$264,025</u>

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

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### (7) DEBT

Debt consisted of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Demand loan agreements with individuals with interest ranging from 6.50% to 8%.	\$ 17,000	\$ 17,000
Ministries trust agreements with individuals, right to cancel agreement or withdraw principal upon demand; with interest ranging from 0% to 8%.	<u>37,970</u>	<u>37,702</u>
Total notes payable	54,970	54,702
Line of credit with a bank up to \$75,000 at the prime rate published in the Wall Street Journal. The line is personally guaranteed by an employee of Ambassador Advisors LLC.	55,000	1,000
Accumulating loan agreement related to a College renovation project at a rate of 5% with interest due quarterly. The principal is due March 17, 2017, however, the loan is callable by the lender after March 19, 2009.	800,000	800,000
Line of credit with a bank of \$1,000,000 bearing interest at the London Inter Bank Offering Rate (LIBOR) with a floor of 4% with interest due monthly and principal payable on demand; collateralized by a mortgage against the College's property.	500,000	-
Line of credit with a bank of \$2,000,000 bearing interest at LIBOR plus 2% with a floor of 4% with interest due monthly and principal payable upon demand; collateralized by a mortgage against the College's property.	859,000	-
Line of credit with a bank up to \$5,000,000 with interest due semi-annually on January 1 <sup>st</sup> and July 1 <sup>st</sup> at a rate of 5.50%; unpaid principal and interest is due on January 1, 2011; collateralized by a mortgage against the College's property.	3,888,503	3,888,503
Promissory note of \$3,000,000 at a rate of 4% with interest and principal due annually on anniversary date of note (December 17 <sup>th</sup> ). On October 26, 2007, the promissory note was amended. Effective December 17, 2007, the interest rate on the note increased to 6%. Principal and interest are due annually beginning December 17, 2008 through the maturity date of December 17, 2010.	<u>1,315,795</u>	<u>1,973,692</u>
Total debt	7,473,268	6,717,897
Less: current portion of debt	<u>2,926,867</u>	<u>713,599</u>
Long-term debt	<u>\$4,546,401</u>	<u>\$6,004,298</u>

Total interest expense on all debt for the years ending June 30, 2009 and 2008, respectively, was \$371,622 and \$364,455.

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

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Principal amounts anticipated to be paid subsequent to June 30, 2009 are as follows:

**Year Ending June 30,**

2010	\$2,926,867
2011	<u>4,546,401</u>
	<u>\$7,473,268</u>

**(8) TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2009 and 2008 were restricted for the following purposes:

	<u>2009</u>	<u>2008</u>
Trusts	\$7,423,249	\$ 8,754,901
Instruction	(8,574)	2,576
Academic support	4,750	4,310
Student services	(21,605)	(3,431)
Institutional support	1,686	(3,489)
Advancing the Vision Building Campaign *	1,295,088	1,708,739
Public support	(57,326)	(78,269)
Scholarships	(28,692)	127,894
Operation and maintenance of plant	1,177,281	2,599,406
Accumulated endowment income (loss)	<u>-</u>	<u>214,188</u>
	<u>\$9,785,857</u>	<u>\$13,326,825</u>

\* *Excludes charitable remainder trusts and other receivables designated for campaign.*

During 2009 and 2008 net assets released from restrictions were comprised of the following:

	<u>2009</u>	<u>2008</u>
Instruction	\$ 17,284	\$ 38,479
Academic support	125	175
Student services	82,670	78,706
Institutional support	14,013	54,716
Public support	110,914	239,583
Scholarships	208,973	179,776
Operation and maintenance of plant	1,469,580	135,123
Capital campaign – Building	<u>646,975</u>	<u>60,779</u>
	<u>\$2,550,534</u>	<u>\$787,337</u>

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## NOTES TO FINANCIAL STATEMENTS – (Continued)

### June 30, 2009 and 2008

Permanently restricted net assets were \$4,688,464 and \$4,524,800 at June 30, 2009 and 2008, respectively. The Board has also designated \$613,778 and \$2,179,950 at June 30, 2009 and 2008 of the unrestricted net assets as quasi-endowment funds. Investment income from the permanently restricted net assets is expendable to support specific and general programs of the College. As of June 30, 2009 and 2008, the permanently restricted net assets were restricted as follows:

	<u>2009</u>	<u>2008</u>
Scholarships	\$4,219,092	\$4,067,868
Distinguished faculty	330,799	319,159
Buildings and grounds	44,607	44,607
Academic Support	93,104	92,304
Employee benefits	<u>862</u>	<u>862</u>
Permanently restricted net assets	4,688,464	4,524,800
Quasi-endowments	<u>613,778</u>	<u>2,179,950</u>
Total endowments	<u>\$5,302,242</u>	<u>\$6,704,750</u>

Endowment net asset composition by type of fund as of June 30, 2009 and 2008:

	<u>2009</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$4,688,464	\$4,688,464
Board-designated endowment funds	<u>613,778</u>	<u>-</u>	<u>-</u>	<u>613,778</u>
Total funds	<u>\$613,778</u>	<u>\$ -</u>	<u>\$4,688,464</u>	<u>\$5,302,242</u>

	<u>2008</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$214,188	\$4,524,800	\$4,738,988
Board-designated endowment funds	<u>2,179,950</u>	<u>-</u>	<u>-</u>	<u>2,179,950</u>
Total funds	<u>\$2,179,950</u>	<u>\$214,188</u>	<u>\$4,524,800</u>	<u>\$6,918,938</u>

The College classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as permanently restricted net assets. Income earned on such gifts is classified as temporarily restricted until it is expended in accordance with state law and/or the donor restriction. The Institute's board may also designate certain unrestricted gifts to function as endowment funds; such gifts are classified within unrestricted net assets as board designated endowment funds.

# LANCASTER BIBLE COLLEGE & GRADUATE SCHOOL

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

Changes in endowment net assets for the years ended June 30, 2009 and 2008:

	<b>2009</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$ 2,179,950	\$ 214,188	\$4,524,800	\$ 6,918,938
Investment return	(453,885)	(1,011,079)	4,991	(1,459,973)
Contributions	14,157	-	158,673	172,830
Reclassification of restricted endowment losses	(1,025,118)	1,025,118	-	-
Endowment income designated for current operations	(101,326)	(228,227)	-	(329,553)
Endowment net assets, end of year	<u>\$ 613,778</u>	<u>\$ -</u>	<u>\$4,688,464</u>	<u>\$ 5,302,242</u>

  

	<b>2008</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$2,293,261	\$ 585,554	\$4,044,108	\$6,922,923
Investment return	(82,272)	(178,850)	-	(261,122)
Contributions	60,506	-	480,692	541,198
Endowment income designated for current operations	(91,545)	(192,516)	-	(284,061)
Endowment net assets, end of year	<u>\$2,179,950</u>	<u>\$ 214,188</u>	<u>\$4,524,800</u>	<u>\$6,918,938</u>

### (9) RETIREMENT BENEFITS

The College has an employer sponsored tax sheltered 403(b)7 Retirement Plan. Under the plan, the College makes contributions to the plan based on 2% of the employee's earnings. Additionally, the College will match each 1% the employee contributes, up to a maximum of 3% or a total employer contribution of 5%. Total contributions made by the College for the years ended June 30, 2009 and 2008 were approximately \$227,900 and \$200,800, respectively.

### (10) STEWARDSHIP EXPENSES

The College incurred expenses amounting to approximately \$714,000 and \$510,000 for the years ended June 30, 2009 and 2008, respectively, related to development and fund-raising activities. These amounts are included in Institutional Support in the accompanying Statement of Activities and Changes in Net Assets.