

**LIVING UNIVERSITY**  
Financial Statements  
For the Year Ended June 30, 2009

# LIVING UNIVERSITY

## Contents

|                                       | Page  |
|---------------------------------------|-------|
| Report of Independent Auditors .....  | 1     |
| Statement of Financial Position ..... | 2     |
| Statement of Activities .....         | 3     |
| Statement of Cash Flows .....         | 4     |
| Notes to Financial Statements .....   | 5 - 7 |



## Report of Independent Auditors

The Board of Regents  
Living University  
Charlotte, North Carolina

We have audited the accompanying statement of financial position of Living University (the "University") as of June 30, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Living University as of June 30, 2009, and its changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Cherry, Bekaert & Holland, L.L.P.*

Charlotte, North Carolina  
October 7, 2009

# LIVING UNIVERSITY

## Statement of Financial Position June 30, 2009

### Assets

#### Current assets

|                           |            |
|---------------------------|------------|
| Cash and cash equivalents | \$ 11,137  |
| Accounts receivable       | 839        |
| Other receivables         | <u>857</u> |

**Total current assets** 12,833

|                              |              |
|------------------------------|--------------|
| Furniture and equipment, net | <u>9,069</u> |
|------------------------------|--------------|

**Total assets** \$ 21,902

### Liabilities and Net Assets

#### Current liabilities

|                  |              |
|------------------|--------------|
| Accounts payable | \$ 1,601     |
| Accrued expenses | 4,769        |
| Deferred revenue | <u>6,830</u> |

**Total current liabilities** 13,200

#### Net assets

|              |              |
|--------------|--------------|
| Unrestricted | <u>8,702</u> |
|--------------|--------------|

**Total liabilities and net assets** \$ 21,902

# LIVING UNIVERSITY

## Statement of Activities For the Year Ended June 30, 2009

### Support and operating revenues

|   |                |
|---|----------------|
| Tuition and fees, net of tuition discounts<br>of \$66,045 | \$ 32,470      |
| Contributions   | 191,152        |
| Other income  | 357            |
| <b>Total support and operating revenues</b>               | <u>223,979</u> |

### Expenses

|                                 |                |
|---------------------------------|----------------|
| Educational services:           |                |
| Instruction                     | 106,869        |
| Library                         | 10,583         |
| Support services:               |                |
| Institutional support           | 111,279        |
| Operations and maintenance      | 14,187         |
| Loss on disposal of fixed asset | 641            |
| <b>Total expenses</b>           | <u>243,559</u> |

**Change in net assets** (19,580)

**Unrestricted net assets, beginning of year** 28,282

**Unrestricted net assets, end of year** \$ 8,702

# LIVING UNIVERSITY

## Statement of Cash Flows For the Year Ended June 30, 2009

### Cash flows from operating activities

|   |                  |
|---|------------------|
| Change in net assets  | \$ (19,580)      |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                  |
| Depreciation expense  | 6,696            |
| Changes in operating assets and liabilities:  |                  |
| Decrease in accounts and other receivables  | 1,231            |
| Decrease in accounts payable  | (841)            |
| Increase in accrued expenses  | 1,282            |
| Increase in deferred revenue  | 5,776            |
| Loss on disposal of fixed asset   | 641              |
| <b>Net cash used in operating activities</b>  | <u>(4,795)</u>   |
| <br>  |                  |
| <b>Net decrease in cash and cash equivalents</b>  | (4,795)          |
| <br>  |                  |
| <b>Cash and cash equivalents at beginning of year</b>                                       | <u>15,932</u>    |
| <br>  |                  |
| <b>Cash and cash equivalents at end of year</b>   | <u>\$ 11,137</u> |

# LIVING UNIVERSITY

Notes to Financial Statements  
Year Ended June 30, 2009

## Note 1 – Summary of significant accounting policies

*Affiliation and nature of activities* – Living University (the “University”) is affiliated and financially interrelated with the Living Church of God International, Inc. The University was established in 2007 to initially offer online course work for the development of the whole person by educating men and women in the skills, concepts, and values that lead to success in life, while helping them prepare for leadership and worthwhile service to God and humanity. The University began offering online study in the fall semester of 2007.

*Basis of presentation* – The financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are both undesignated and designated in nature. Undesignated unrestricted net assets are those currently available for use in the day-to-day operations of the University and those resources invested in property and equipment. The University may designate certain amounts to be utilized/invested to meet specific objectives of the University.

*Temporarily restricted net assets* - Net assets subject to donor-imposed restrictions that may or will be met by specific actions of the University and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. As of June 30, 2009, the University had no temporarily restricted net assets.

*Permanently restricted net assets* - Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2009, the University had no permanently restricted net assets.

Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises, are recognized as revenues in the period made. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Earned revenues, which include tuition and related fees, are recognized as revenues when the services or goods are provided.

# LIVING UNIVERSITY

Notes to Financial Statements  
Year Ended June 30, 2009

## Note 1 – Summary of significant accounting policies (continued)

*Cash and cash equivalents* – Cash and cash equivalents consist of demand deposits on deposit at banks in North Carolina.

*Accounts receivable* – Accounts receivable are student receivables for tuition and are stated at cost less an allowance for doubtful accounts. Management's determination of the allowance for doubtful accounts is based on an evaluation of the age of receivables, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio. At June 30, 2009, management believed a \$250 allowance for doubtful accounts was necessary.

*Furniture and equipment* – Furniture and equipment are stated at cost for purchased items and the estimated fair market value at the time of donation if contributed. Fixtures and small equipment less than \$500 are expensed when purchased. Depreciation is computed on the straight-line method over the estimated useful lives of 3 to 5 years for office furniture and equipment. The cost and accumulated depreciation of equipment are eliminated from the accounts upon disposal, and any resulting gain or loss is included in the Statement of Activities.

*Deferred revenue* – Deferred revenue represents tuition income received for future periods.

*Income taxes* – The Internal Revenue Service has determined that the University qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not generally subject to income taxes under present tax laws.

*Management 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 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.

*Recent accounting pronouncements* – In July 2006, Financial Accounting Standards Board Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, was issued and interprets SFAS No. 109, *Accounting for Income Taxes*. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109 by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

FASB Staff Position (FSP) 48-3 defers the effective date of FIN 48 for certain non-public enterprises for fiscal year beginning after December 15, 2008. The University has elected to defer the application of FIN 48 in accordance with FSP 48-3. During the deferral period of the application of FIN 48, the University will continue to evaluate uncertain tax positions utilizing the underlying principals of FAS 109, *Accounting for Income Taxes*, and FAS 5, *Accounting for Contingencies*.

# LIVING UNIVERSITY

Notes to Financial Statements  
Year Ended June 30, 2009

## Note 2 – Furniture and equipment

The following is a summary of property and equipment at June 30, 2009:

|                               |                 |
|-------------------------------|-----------------|
| Furniture and fixtures        | \$ 4,737        |
| Equipment                     | <u>16,738</u>   |
|                               | 21,475          |
| Less accumulated depreciation | <u>12,406</u>   |
| Furniture and equipment, net  | <u>\$ 9,069</u> |

Depreciation expense was \$6,696 for the year ended June 30, 2009.

## Note 3 – Related party transactions

The University is affiliated and financially interrelated with the Living Church of God International, Inc. (the "Church") and received cash contributions of \$125,791 from the Church during the year. In addition, the University received in-kind contributions of \$64,210 which include salary expenses for the services of Church employees and facility expenses allocated to the University. These revenues are included in contributions in the Statement of Activities.

## Note 4 – Concentration of credit risk

The majority of students are in the United States; however, the University attracts students from throughout the world.

The University places its cash and cash equivalents on deposit with financial institutions in the United States. In October and November 2008, the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The increased coverage is scheduled to expire on December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to \$100,000. Periodically, the University may maintain cash balances in excess of the amount insured by the FDIC.

The University depends largely upon support from the Church, as described in Note 3. As a result, the University's ability to maintain its operations could be adversely affected should such support decline significantly. It is anticipated that for the year ended June 30, 2010 the University will continue to receive this source of support.

## Note 5 – Subsequent events

The University has evaluated subsequent events through October 7, 2009, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.