

LIVING UNIVERSITY

Financial Statements

For the Year Ended
June 30, 2010

LIVING UNIVERSITY

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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, 2010 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, 2010, 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 20, 2010

LIVING UNIVERSITY

Statement of Financial Position June 30, 2010

Assets

Current assets

Cash and cash equivalents	\$ 47,746
Other receivables	<u>1,505</u>

Total current assets 49,251

Furniture and equipment, net	<u>39,085</u>
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Total assets \$ 88,336

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 7,558
Accrued expenses	<u>8,685</u>

Total current liabilities 16,243

Net assets

Unrestricted	<u>72,093</u>
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Total liabilities and net assets \$ 88,336

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Statement of Activities For the Year Ended June 30, 2010

Support and operating revenues

Tuition and fees, net of tuition discounts of \$19,775	\$ 45,242
Contributions	467,255
Other income	21
Total support and operating revenues	<u>512,518</u>

Expenses

Educational services:	
Instruction	179,113
Library	37,445
Scholarships	3,350
Total educational services	<u>219,908</u>

Support services:

Institutional support	133,279
Operations and maintenance	95,940
Total support services	<u>229,219</u>
Total expenses	<u>449,127</u>

Change in net assets 63,391

Unrestricted net assets, beginning of year 8,702

Unrestricted net assets, end of year \$ 72,093

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Statement of Cash Flows For the Year Ended June 30, 2010

Cash flows from operating activities

Change in net assets	\$ 63,391
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	7,969
Changes in operating assets and liabilities:	
Decrease in accounts and other receivables	191
Increase in accounts payable	5,957
Increase in accrued expenses	3,916
Decrease in deferred revenue	(6,830)
Net cash provided by operating activities	<u>74,594</u>

Cash flows from investing activities

Purchases of furniture and equipment	<u>(37,985)</u>
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Net increase in cash and cash equivalents 36,609

Cash and cash equivalents at beginning of year 11,137

Cash and cash equivalents at end of year \$ 47,746

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Notes to Financial Statements
Year Ended June 30, 2010

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.

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. Temporarily restricted contributions whose restrictions are satisfied in the same reporting period in which the contribution was received are reported as unrestricted support. As of June 30, 2010, 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, 2010, 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.

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Notes to Financial Statements
Year Ended June 30, 2010

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.

Furniture and equipment – Furniture and equipment are stated at cost for purchased items and the estimated fair 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, equipment, and library books. 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.

Income taxes – The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying financial statements. The University is however liable for federal and state income tax on unrelated business income.

During the year ended June 30, 2010, the University adopted the Financial Accounting Standards Board ("FASB") guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements 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. The University's policy is to record a liability for any tax position taken that is beneficial to the University, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2010 and, accordingly, no liability has been accrued.

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.

Note 2 – Furniture and equipment

The following is a summary of property and equipment at June 30, 2010:

Furniture and fixtures	\$ 20,903
Equipment	18,173
Library books	<u>20,383</u>
	59,459
Less accumulated depreciation	<u>20,374</u>
Furniture and equipment, net	<u>\$ 39,085</u>

Depreciation expense was \$7,969 for the year ended June 30, 2010.

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Notes to Financial Statements
Year Ended June 30, 2010

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 \$243,299 from the Church during the year. In addition, the University received in-kind contributions of \$152,634 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. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2012 for certain qualifying and participating non-interest bearing transaction accounts. The University from time to time may have amounts on deposit in excess of the insured limits.

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, 2011, the University will continue to receive this source of support.

Note 5 – Subsequent events

The University has evaluated subsequent events through October 20, 2010, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

