

**LIVING UNIVERSITY**

Financial Statements

For the Years Ended  
June 30, 2011 and 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 statements of financial position of Living University (the "University") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years 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 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 audits 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 audits provide 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, 2011 and 2010, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Charlotte, North Carolina  
September 15, 2011

# LIVING UNIVERSITY

## Statements of Financial Position June 30, 2011 and 2010

	<b>Assets</b>	
	<u>2011</u>	<u>2010</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 67,095	\$ 47,746
Accounts receivable	1,050	-
Other receivables	820	1,505
Prepaid expenses	2,168	-
	<u>71,133</u>	<u>49,251</u>
Furniture and equipment, net	<u>90,261</u>	<u>39,085</u>
<b>Total assets</b>	<u>\$ 161,394</u>	<u>\$ 88,336</u>
	<b>Liabilities and Net Assets</b>	
<b>Current liabilities</b>		
Accounts payable	\$ 1,887	\$ 7,558
Accrued expenses	10,203	8,685
Student deposits	606	-
	<u>12,696</u>	<u>16,243</u>
<b>Net assets</b>		
Unrestricted	<u>148,698</u>	<u>72,093</u>
<b>Total liabilities and net assets</b>	<u>\$ 161,394</u>	<u>\$ 88,336</u>

# LIVING UNIVERSITY

## Statements of Activities For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Support and operating revenues</b>		
Tuition and fees, net of tuition discounts of \$57,447 and \$19,775, respectively	\$ 56,316	\$ 45,242
Contributions	443,399	467,255
Book sales	711	-
Other income	2,065	21
<b>Total support and operating revenues</b>	<u>502,491</u>	<u>512,518</u>
<b>Expenses</b>		
Educational services:		
Instruction	156,454	152,592
Academic affairs	42,184	26,521
Library	17,240	37,445
Scholarships	-	3,350
<b>Total educational services</b>	<u>215,878</u>	<u>219,908</u>
Support services:		
Student affairs	23,191	42,652
Institutional support	104,234	90,627
Operations and maintenance	82,019	95,940
Promotional material	564	-
<b>Total support services</b>	<u>210,008</u>	<u>229,219</u>
<b>Total expenses</b>	<u>425,886</u>	<u>449,127</u>
<b>Change in net assets</b>	76,605	63,391
<b>Unrestricted net assets, beginning of year</b>	<u>72,093</u>	<u>8,702</u>
<b>Unrestricted net assets, end of year</b>	<u>\$ 148,698</u>	<u>\$ 72,093</u>

# LIVING UNIVERSITY

## Statements of Cash Flows For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 76,605	\$ 63,391
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	9,750	7,969
Donated furniture and equipment	(44,800)	-
Changes in operating assets and liabilities:		
Accounts and other receivables	(365)	191
Prepaid expenses	(2,168)	-
Accounts payable	(5,671)	5,957
Accrued expenses	1,518	3,916
Student deposits	606	(6,830)
<b>Net cash provided by operating activities</b>	<u>35,475</u>	<u>74,594</u>
<b>Cash flows from investing activities</b>		
Purchases of furniture and equipment	<u>(16,126)</u>	<u>(37,985)</u>
<b>Net increase in cash and cash equivalents</b>	19,349	36,609
<b>Cash and cash equivalents at beginning of year</b>	<u>47,746</u>	<u>11,137</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 67,095</u></u>	<u><u>\$ 47,746</u></u>

# LIVING UNIVERSITY

Notes to Financial Statements  
Years Ended June 30, 2011 and 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 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, 2011 and 2010, the University had no temporarily restricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

*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, 2011 and 2010, the University had no permanently restricted net assets.

*Contributions* – 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.

# LIVING UNIVERSITY

Notes to Financial Statements  
Years Ended June 30, 2011 and 2010

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

*Contributions (continued)* – Earned revenues, which include tuition and related fees, are recognized as revenues when the services or goods are provided.

*Cash and cash equivalents* – Cash and cash equivalents consist of demand deposits 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 costing less than \$1,000 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. The University follows Financial Accounting Standards Board (“FASB”) guidance on accounting for uncertainty in income taxes. 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, 2011 and 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.

*Reclassifications* – Certain 2010 amounts have been reclassified, where appropriate, to correspond with the 2011 financial statement presentation.

## Note 2 – Furniture and equipment

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

	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 27,694	\$ 20,903
Equipment	24,038	18,173
Library books	65,183	20,383
Building improvements	<u>3,470</u>	<u>-</u>
	120,385	59,459
Less accumulated depreciation	<u>30,124</u>	<u>20,374</u>
Furniture and equipment, net	<u>\$ 90,261</u>	<u>\$ 39,085</u>



# LIVING UNIVERSITY

Notes to Financial Statements  
Years Ended June 30, 2011 and 2010

## **Note 2 – Furniture and equipment (continued)**

Depreciation expense was \$9,750 and \$7,969 for the years ended June 30, 2011 and 2010, respectively.

## **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 \$193,121 and \$243,299 as well as in-kind contributions of \$163,048 and \$152,634 from the Church during the years ended June 30, 2011 and 2010, respectively. The in-kind contributions 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.

The University also received \$44,800 in book donations including collections from the Church, the Church's management and the University's management.

## **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, 2012, the University will continue to receive this source of support.

## **Note 5 – Subsequent events**

The University has evaluated subsequent events through September 15, 2011, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.