



LIVING UNIVERSITY

FINANCIAL STATEMENTS

As of and For the Years Ended June 30, 2015 and 2014

And Report of Independent Auditor

LIVING UNIVERSITY
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Report of Independent Auditor

The Board of Regents
Living University
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Living University (the "University"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in Notes 3 and 4 to the financial statements, the University depends largely upon support from the Church. As a result, the University's ability to maintain its operations could be adversely affected should such support decline significantly. Our opinion is not modified with respect to that matter.



Charlotte, North Carolina
September 30, 2015

LIVING UNIVERSITY
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 165,128	\$ 182,218
Investments	1,693	1,693
Accounts receivable	37,100	6,568
Other receivables	2,322	698
Prepaid expenses and other assets	<u>11,862</u>	<u>375</u>
Total Current Assets	218,105	191,552
Property and equipment, net	192,148	104,297
Library special collections	<u>72,153</u>	<u>69,903</u>
Total Assets	<u><u>\$ 482,406</u></u>	<u><u>\$ 365,752</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 18,137	\$ 12,111
Accrued expenses	23,268	21,337
Student deposits	<u>35</u>	<u>125</u>
Total Current Liabilities	41,440	33,573
Net Assets:		
Unrestricted	<u>440,966</u>	<u>332,179</u>
Total Liabilities and Net Assets	<u><u>\$ 482,406</u></u>	<u><u>\$ 365,752</u></u>

LIVING UNIVERSITY
STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Support and Operating Revenues:		
Tuition and fees, net of tuition discounts of \$125,274 and \$94,875, respectively	\$ 78,138	\$ 64,375
Contributions	618,905	487,369
Non-cash contributions	166,039	179,147
Auxiliary enterprises	12,600	13,283
Other income	10,023	430
Total Support and Operating Revenues	<u>885,705</u>	<u>744,604</u>
Expenses:		
Educational services		
Instruction	312,890	336,829
Academic affairs	70,561	66,588
Library	105,598	92,631
Total educational services	<u>489,049</u>	<u>496,048</u>
Support services		
Student affairs	120,961	102,822
Institutional support	153,508	108,802
Total support services	<u>274,469</u>	<u>211,624</u>
Auxiliary enterprises	<u>13,400</u>	<u>12,000</u>
Total Expenses	<u>776,918</u>	<u>719,672</u>
Change in net assets	108,787	24,932
Unrestricted net assets, beginning of year	<u>332,179</u>	<u>307,247</u>
Unrestricted net assets, end of year	<u>\$ 440,966</u>	<u>\$ 332,179</u>

LIVING UNIVERSITY
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 108,787	\$ 24,932
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	25,431	18,579
Donated furniture and equipment	(102,198)	(43,180)
Donated library special collections	(2,250)	(1,500)
Changes in operating assets and liabilities:		
Accounts and other receivables	(32,156)	36,180
Prepaid expenses and other assets	(11,487)	376
Accounts payable	6,026	(8,742)
Accrued expenses	1,931	3,289
Student deposits	(90)	125
Net cash from operating activities	<u>(6,006)</u>	<u>30,059</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	<u>(11,084)</u>	<u>(7,031)</u>
Net cash from investing activities	<u>(11,084)</u>	<u>(7,031)</u>
Net change in cash and cash equivalents	(17,090)	23,028
Cash and cash equivalents at beginning of year	<u>182,218</u>	<u>159,190</u>
Cash and cash equivalents at end of year	<u>\$ 165,128</u>	<u>\$ 182,218</u>

The accompanying notes to financial statements are an integral part of these statements.

LIVING UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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 revenues, 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, 2015 and 2014, 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, 2015 and 2014, 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 and primarily consist of library books, salary expenses for the services of Church employees, facility expenses allocated to the University, and vehicle donations.

Tuition and Fees – 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.

LIVING UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 1—Summary of significant accounting policies (continued)

Property and Equipment – Property 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 10 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.

Library Special Collections – Library special collections are holdings of a library normally considered inexhaustible and accounted for like works of art and historical treasures. These special collection books are not depreciable.

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, 2015 and 2014 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.

Functional Expense Classification – The University’s functional expense classification and allocation policy is based on accounting principles generally accepted in the United States of America and a review of the current organizational structure and the identification, reclassification and allocation of certain employee, facility and departmental expenses, which serve multiple functional areas. The total square footage of space is allocated to each employee based on their occupation of the total space. Then, each employee’s time is further broken down into the appropriate functional category based on the amount of time worked in each category.

As required by the FASB codification, operations and maintenance are allocated to specific programs or supporting services as follows for the year ended June 30:

	<u>2015</u>	<u>2014</u>
Instruction	\$ 29,797	\$ 24,189
Academic affairs	2,041	1,906
Library	75,698	70,467
Student affairs	10,724	5,971
Institutional support	4,750	4,523
	<u>\$ 123,010</u>	<u>\$ 107,056</u>

LIVING UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 2—Property and equipment

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

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 53,022	\$ 51,717
Equipment	27,531	17,751
Library books	180,151	101,866
Building improvements	3,470	3,470
Automobiles	23,912	-
	<u>288,086</u>	<u>174,804</u>
Less accumulated depreciation	95,938	70,507
Property and equipment, net	<u>\$ 192,148</u>	<u>\$ 104,297</u>

Depreciation expense was \$25,431 and \$18,579 for the years ended June 30, 2015 and 2014, 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 \$428,400 and \$380,400 as well as in-kind contributions of \$112,741 and \$134,467 from the Church during the years ended June 30, 2015 and 2014, respectively. The in-kind contributions include salary expenses for the services of Church employees, facility expenses allocated to the University, and vehicle donations. These revenues are included in contributions in the statements of activities. The expenses are allocated and included in the statements of activities.

At June 30, 2015 and 2014, the University owed the Church \$11,570 and \$9,458, respectively, while the Church owed the University \$35,700 at June 30, 2015. The Church did not owe the University at June 30, 2014. These receivables and payables are included in accounts receivable and accounts payable on the statements of financial position.

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. 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, 2016, the University will continue to receive this source of support.

Note 5—Subsequent events

The University has evaluated subsequent events through September 30, 2015, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.