



**LIVING UNIVERSITY**

**FINANCIAL STATEMENTS**

*For the Years Ended June 30, 2013 and 2012*

*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, 2013 and 2012, 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, 2013 and 2012, 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.



Charlotte, North Carolina  
September 6, 2013

**LIVING UNIVERSITY**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2013 AND 2012*

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 159,190	\$ 124,787
Investments	1,693	1,693
Accounts receivable	42,651	22,119
Other receivables	795	455
Prepaid expenses and other assets	751	-
	<u>205,080</u>	<u>149,054</u>
Total current assets	205,080	149,054
Furniture and equipment, net	93,048	73,632
Library special collections	48,020	48,020
	<u>48,020</u>	<u>48,020</u>
<b>Total Assets</b>	<b><u>\$ 346,148</u></b>	<b><u>\$ 270,706</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 20,853	\$ 5,131
Accrued expenses	18,048	13,478
	<u>18,048</u>	<u>13,478</u>
Total current liabilities	38,901	18,609
Net assets		
Unrestricted	307,247	252,097
	<u>307,247</u>	<u>252,097</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 346,148</u></b>	<b><u>\$ 270,706</u></b>

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

**LIVING UNIVERSITY**  
**STATEMENTS OF ACTIVITIES**

*FOR THE YEARS ENDED JUNE 30, 2013 AND 2012*

	<u>2013</u>	<u>2012</u>
Support and operating revenues		
Tuition and fees, net of tuition discounts of \$111,229 and \$89,685, respectively	\$ 80,563	\$ 48,345
Contributions	553,966	533,472
Other income	11,889	582
Total support and operating revenues	<u>646,418</u>	<u>582,399</u>
Expenses		
Educational services		
Instruction	237,714	196,648
Academic affairs	67,625	37,985
Library	107,909	93,237
Total educational services	<u>413,248</u>	<u>327,870</u>
Support services		
Student affairs	62,309	43,548
Institutional support	115,711	107,582
Total support services	<u>178,020</u>	<u>151,130</u>
Total expenses	<u>591,268</u>	<u>479,000</u>
Change in net assets	55,150	103,399
Unrestricted net assets, beginning of year	<u>252,097</u>	<u>148,698</u>
Unrestricted net assets, end of year	<u>\$ 307,247</u>	<u>\$ 252,097</u>

**LIVING UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**

*FOR THE YEARS ENDED JUNE 30, 2013 AND 2012*

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 55,150	\$ 103,399
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	16,111	13,088
Changes in operating assets and liabilities:		
Accounts and other receivables	(20,872)	(20,704)
Prepaid expenses and other assets	(751)	2,168
Accounts payable	15,722	3,244
Accrued expenses	4,570	3,275
Student deposits	-	(606)
Net cash provided by operating activities	<u>69,930</u>	<u>103,864</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	-	(1,693)
Purchases of furniture and equipment	(35,527)	(44,479)
Net cash used by investing activities	<u>(35,527)</u>	<u>(46,172)</u>
Net increase in cash and cash equivalents	34,403	57,692
Cash and cash equivalents at beginning of year	<u>124,787</u>	<u>67,095</u>
Cash and cash equivalents at end of year	<u>\$ 159,190</u>	<u>\$ 124,787</u>

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

# LIVING UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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### 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. The University treats all restricted gifts for which the restriction is satisfied within the year as unrestricted.

*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, 2013 and 2012, 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, 2013 and 2012, 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.

*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**

AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

**Note 1—Summary of significant accounting policies (continued)**

*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 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 library 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, 2013 and 2012 and, accordingly, no liability has been accrued. Income tax returns filed prior to the year ended June 30, 2010 are no longer subject to audit by the taxing authority.

*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 reclassifications have been made to the prior year comparative totals in order to comply with the current year financial statement presentation. Such reclassifications had no effect on total net assets.

**Note 2—Furniture and equipment**

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

	<b>2013</b>	<b>2012</b>
Furniture and fixtures	\$ 48,438	\$ 36,513
Equipment	17,751	16,643
Library books	75,317	52,823
Building improvements	3,470	3,470
	<u>144,976</u>	<u>109,449</u>
Less accumulated depreciation	51,928	35,817
Furniture and equipment, net	<u>\$ 93,048</u>	<u>\$ 73,632</u>

Depreciation expense was \$16,111 and \$13,088 for the years ended June 30, 2013 and 2012, respectively.

# **LIVING UNIVERSITY**

## **NOTES TO FINANCIAL STATEMENTS**

*AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012*

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### **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 \$312,600 and \$229,500 as well as in-kind contributions of \$131,904 and \$137,279 from the Church during the years ended June 30, 2013 and 2012, 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 statements of activities.

At June 30, 2013 and 2012, the University owed the Church \$7,696 and \$2,876, while the Church owed the University \$27,400 and \$1,190, respectively. These receivables and payables are included in the 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, 2014, the University will continue to receive this source of support.

### **Note 5—Subsequent events**

The University has evaluated subsequent events through September 6, 2013, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.