Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

► Do not enter Social Security numbers on this form as it may be made public.

► Information about Form 990 and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning July 1, 2012, 2013, and ending June 30, 20 13

B Check if applicable: ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending

C Name of organization: Arkansas Baptist College

Doing Business As: Arkansas Baptist College

Number and street (or P O box if mail is not delivered to street address): 1621 Dr. Martin Luther King Drive — Room/suite:

City or town, state or province, country, and ZIP or foreign postal code: Little Rock, AR 72202

D Employer identification number: 71-0298658

E Telephone number: 501-420-1213

G Gross receipts $ 20,300,485

F Name and address of principal officer

H(a) Is this a group return for subordinates? ☐ Yes ☑ No

H(b) Are all subordinates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

I Tax-exempt status: ☑ 501(c)(3) ☐ 501(c) ( ) ◄ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ► www.ArkansasBaptist.edu

H(c) Group exemption number ►

K Form of organization: ☑ Corporation ☐ Trust ☐ Association ☐ Other ►

L Year of formation 1884

M State of legal domicile AR

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: Arkansas Baptist College prepares students for a life of service in academic scholarship, the liberal arts tradition, social responsibility, Christian development and preparation for employment in a global community.

2 Check this box ► ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	10
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	0
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	190
6	Total number of volunteers (estimate if necessary)	6	0
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	7,773,708	7,861,794
	9	Program service revenue (Part VIII, line 2g)	12,622,608	12,424,325
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	12,747	14,366
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	20,409,058	20,300,485
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	5,937,153	5,530,549
	14	Benefits paid to or for members (Part IX, column (A), line 4)		
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	8,418,061	7,574,964
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ► 320,253		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	6,922,979	6,980,110
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	21,278,233	20,085,623
	19	Revenue less expenses Subtract line 18 from line 12	(869,175)	214,863

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	30,400,851	32,166,633
	21	Total liabilities (Part X, line 26)	15,819,178	19,802,630
	22	Net assets or fund balances. Subtract line 21 from line 20	12,149,140	12,364,003

RECEIVED
MAY 19 2014
OGDEN, UT
064 IRS-OSC

SCANNED JUN 12 2014

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge

Sign Here

Signature of officer: Billy R Owens — Date: 5/15/2014

Type or print name and title

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
	Firm's name ►			Firm's EIN ►	
	Firm's address ►			Phone no	

May the IRS discuss this return with the preparer shown above? (see instructions) ☐ Yes ☐ No

10 913

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III . . . ☐

1 Briefly describe the organization's mission:

Arkansas Baptist College prepares students for a life of service grounded in academic scholarship, the liberal arts tradition, social responsibility, Christian development and preparation for employment in a global community.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . ☑ Yes ☐ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses $ 19,484,814 including grants of $) (Revenue $ 19,699,676)

Arkansas Baptist College recruits and enrolls most students that require assistance and additional time to complete their college degree. The College's Fall 2012 enrollment was 1,164. Many of its students are first generation college entrants. Many of the students family income is low and most students come from Arkansas. The College's May 2013 graduation of 125 students was the largest in its history.

4b (Code:) (Expenses $ 265,679 including grants of $ 265,679) (Revenue $)

The College continues to support the Upward Bound Program where high school students recieve tutorial assistance, mentoring and counseling in addition to the support received at their home high schoolin North Little Rock, AR. A record number of students that participate in the program go on to attend a college/ university.

4c (Code:) (Expenses $ 335,130 including grants of $ 335,130) (Revenue $)

The college supports the GED program located on daisy bates and in North Little Rock at Shorter College. The GED program has graduated 295 students, some of whom attend Arkansas Baptist College.

4d Other program services (Describe in Schedule O.)
(Expenses $ including grants of $) (Revenue $)

4e Total program service expenses ▶ 20,085,623

Part IV Checklist of Required Schedules

		Line	Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	✓	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	✓	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		✓
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		✓
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		✓
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		✓
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		✓
9	Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		✓
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		✓
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI*	11a	✓	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		✓
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		✓
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		✓
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	✓	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f		✓
12 a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a	✓	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b		✓
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13	✓	
14 a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		✓
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV.*	14b		✓
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or other assistance to or for any foreign organization? *If "Yes," complete Schedule F, Parts II and IV*	15		✓
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or other assistance to or for foreign individuals? *If "Yes," complete Schedule F, Parts III and IV.*	16		✓
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		✓
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		✓
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		✓
20 a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a		✓
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b		

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		✓
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		✓
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23		✓
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	24a		✓
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		✓
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		✓
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		✓
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		✓
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		✓
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If so, complete Schedule L, Part II	26		✓
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	27		✓
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		✓
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		✓
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		✓
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		✓
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		✓
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		✓
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		✓
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33		✓
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	34	✓	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		✓
b	If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35b		✓
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		✓
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		✓
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	38	✓	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V ☐

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a				
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b				
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	✓	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	190			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	✓	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a		✓
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O*			3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		✓
b	If "Yes," enter the name of the foreign country. ▶ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a		✓
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		✓
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			6a		✓
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a	✓	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b	✓	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		✓
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		✓
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		✓
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		✓
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		✓
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		✓
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		✓
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		✓
10	**Section 501(c)(7) organizations.** Enter:					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter:					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		✓
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state?			13a		✓
	Note. See the instructions for additional information the organization must report on Schedule O.					
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		✓
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b		

Part VI **Governance, Management, and Disclosure** *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*
Check if Schedule O contains a response or note to any line in this Part VI . . . ☐

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a 10			
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.				
b	Enter the number of voting members included in line 1a, above, who are independent	1b			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		✓
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?		3		✓
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		✓
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		✓
6	Did the organization have members or stockholders?		6		✓
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a		✓
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		✓
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a	The governing body?		8a	✓	
b	Each committee with authority to act on behalf of the governing body?		8b	✓	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*		9		✓

Section B. Policies *(This Section B requests information about policies not required by the Internal Revenue Code.)*

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		✓
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		✓
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a		✓
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a		✓
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	✓	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done*	12c	✓	
13	Did the organization have a written whistleblower policy?	13		✓
14	Did the organization have a written document retention and destruction policy?	14		✓
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a		✓
b	Other officers or key employees of the organization	15b		✓
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		✓
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.

☐ Own website ☐ Another's website ☑ Upon request ☐ Other *(explain in Schedule O)*

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ Billy Owens, CFO, 1621 Dr. Martin Luther King Drive. Little Rock, AR 72202 (501) 420-1213

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response or note to any line in this Part VII . . . . ☐

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees, highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee): Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
(1) Rev. C. Dennis Edwards Chairman	2	✓						0	0	0
(2) Dr. Kenneth G. Harris Vice Chairman	2	✓						0	0	0
(3) Beth Gladden Coulson, Esq Trustee	2	✓						0	0	0
(4) Richard Mays, Sr., Esq Trustee	2	✓						0	0	0
(5) Bob Nash Trustee	2	✓						0	0	0
(6) Steve Wade Treasurer	2	✓						0	0	0
(7) Sterlin Ingram Secretary	2	✓						0	0	0
(8) Chris Sultemeier Trustee	2	✓						0	0	0
(9) Regina Favors Trustee	2	✓						0	0	0
(10) Dr. Fitzgerald Hill President	60			✓	✓	✓		213,108	0	0
(11) Billy Owens VP/CFO	60			✓	✓			163,498	0	0
(12) Rev. Logan Hampton, Ed.D Trustee	2	✓						0	0	0
(13) Dr. Joyce Jenkins VP Academic Affairs	45				✓			103,438	0	0
(14)										

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position: Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
(15)										
(16)										
(17)										
(18)										
(19)										
(20)										
(21)										
(22)										
(23)										
(24)										
(25)										

		(D)	(E)	(F)
1b	**Sub-total** . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** ▶			
d	**Total (add lines 1b and 1c)** ▶			

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶

			Yes	No
3	Did the organization list any **former** officer, director, or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3		✓
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	4		✓
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		✓

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
Clark Contractors 16603 Cantrell ROAD, Little Rock, AR	Construction	203,274
Doyne Construction 719 N. Main Street. North Little Rock, AR 72119	Construction	493,750
SYSCO Arkansas LLC 5800 Frozen ROAD, Little Rock, AR	Food Distribution	477,019

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII . . . . ☐

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c 220,525				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e 6,957,682				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f 683,587				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a–1f ▶		7,861,794			
Program Service Revenue			Business Code				
	2a	Tuition & Fees		8,676,141	8,676,141		
	b	Auxiliary Enterprises		3,677,842	3,677,842		
	c						
	d						
	e						
	f	All other program service revenue		70,342	70,342		
	g	**Total.** Add lines 2a–2f ▶		12,424,325			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) ▶		14,366	14,366		
	4	Income from investment of tax-exempt bond proceeds ▶					
	5	Royalties ▶					
			(i) Real / (ii) Personal				
	6a	Gross rents					
	b	Less: rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss) ▶					
	7a	Gross amount from sales of assets other than inventory	(i) Securities / (ii) Other				
	b	Less: cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss) ▶					
	8a	Gross income from fundraising events (not including $ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less: direct expenses	b				
	c	Net income or (loss) from fundraising events ▶					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less: direct expenses	b				
	c	Net income or (loss) from gaming activities ▶					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less: cost of goods sold	b				
	c	Net income or (loss) from sales of inventory ▶					
		Miscellaneous Revenue	Business Code				
	11a						
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d ▶					
	12	**Total revenue.** See instructions. ▶		20,300,485			

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX . . . ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21				
2 Grants and other assistance to individuals in the United States. See Part IV, line 22	5,530,549	5,530,549		
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	6,665,308	5,574,735	886,130	204,443
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	33,309	27,699	4,820	790
9 Other employee benefits	431,349	134,276	293,874	3,199
10 Payroll taxes	444,998	369,773	64,538	10,687
11 Fees for services (non-employees):				
a Management	194,146	163,222	25,940	4,984
b Legal	23,343	19411	3378	554
c Accounting	55,537	38,821	15,609	1,107
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	283,563	248,610	25,483	9,470
12 Advertising and promotion	2,743	2,547	186	10
13 Office expenses	386,026	311,006	66,228	8,792
14 Information technology	219,359	185,987	28,430	4,942
15 Royalties				
16 Occupancy	1,094,303	994,878	87,390	12,035
17 Travel		192,294	38,416	1,221
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	139,072	122,193	15,124	1,755
20 Interest	1,217,001	1,012,032	176,110	28,859
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	964,126	801,746	139,517	22,863
23 Insurance	375,474	289,201	81,731	4,542
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a Bad Debt Expense	1,050,001		1,050,001	
b Cost of Food (Dining Hall)	743,485	743,485		
c				
d				
e All other expenses				
25 **Total functional expenses.** Add lines 1 through 24e	20,085,623	16,762,465	3,002,905	320,253
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X . . . ☐

			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing	117,121	1	117,046
	2	Savings and temporary cash investments		2	
	3	Pledges and grants receivable, net	572,786	3	547,985
	4	Accounts receivable, net	2,414,883	4	3,695,101
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use	186,420	8	60,575
	9	Prepaid expenses and deferred charges		9	
	10a	Land, buildings, and equipment. cost or other basis. Complete Part VI of Schedule D — 10a 30,639,672			
	b	Less: accumulated depreciation — 10b 3,372,821	26,526,041	10c	27,266,851
	11	Investments—publicly traded securities		11	
	12	Investments—other securities. See Part IV, line 11		12	
	13	Investments—program-related See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11	583,600	15	479,075
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	30,400,851	16	32,166,633
Liabilities	17	Accounts payable and accrued expenses	1,797,730	17	2,325,946
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities		20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties	16,201,266	23	16,701,421
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	252,715	25	775,263
	26	**Total liabilities.** Add lines 17 through 25	15,819,178	26	19,802,630
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	12,149,140	27	12,364,003
	28	Temporarily restricted net assets	0	28	0
	29	Permanently restricted net assets	0	29	0
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	12,149,140	33	12,364,003
	34	Total liabilities and net assets/fund balances	27,968,318	34	32,166,633

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI ☐

1	Total revenue (must equal Part VIII, column (A), line 12)	1	20,300,485
2	Total expenses (must equal Part IX, column (A), line 25)	2	20,085,623
3	Revenue less expenses. Subtract line 2 from line 1	3	214,863
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	12,149,140
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	12,364,003

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII ☐

			Yes	No
1	Accounting method used to prepare the Form 990: ☐ Cash ☑ Accrual ☐ Other ________ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		✓
	If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: ☑ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	✓	
	If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: ☑ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c	✓	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	✓	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	✓	

Arkansas Baptist College
Tax I D # 71-0298658
Gifts of $5,000 and Greater

Donor	Address	Amount
		15,065 65
		6,500 00
		25,000 00
		10,775 00
		5,400.00
		10,000 00
		39,000 00
		5,000 00
		9,250 00
		140,775 00
		45,000 00
		100,000 00
		5,650 00
		5,750 00
		10,000 00
		5,000 00
		5,000 00
		5,000.00
		12,000.00
		7,800.00
		5,000.00
		25,000 00
		5,000 00
		5,666 60
		10,000 00
		5,000 00
		10,000 00
		7,905 95
		7,300 00
		37,500.00
		5,000.00
		5,000.00
		13,502 00
		10,000 00
		10,000.00
		10,000 00
		32,000 00
		6,136 36

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990.
▶ Information about Schedule D (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization: Arkansas Baptist College

Employer identification number: 71-0298658

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.

Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

Part II Conservation Easements.

Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).
- ☐ Preservation of land for public use (e.g., recreation or education)
- ☐ Preservation of an historically important land area
- ☐ Protection of natural habitat
- ☐ Preservation of a certified historic structure
- ☐ Preservation of open space

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

			Held at the End of the Tax Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶

4 Number of states where property subject to conservation easement is located ▶

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $

(ii) Assets included in Form 990, Part X ▶ $

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:

a Revenues included in Form 990, Part VIII, line 1 ▶ $

b Assets included in Form 990, Part X ▶ $

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements.
Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

			Amount
c	Beginning balance	1c	
d	Additions during the year	1d	
e	Distributions during the year	1e	
f	Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☑ No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII ☐

Part V Endowment Funds.
Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

		(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance					
b	Contributions					
c	Net investment earnings, gains, and losses					
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance					

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

a Board designated or quasi-endowment ▶ ______ %
b Permanent endowment ▶ ______ %
c Temporarily restricted endowment ▶ ______ %

The percentages in lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

			Yes	No
(i)	unrelated organizations	3a(i)		✓
(ii)	related organizations	3a(ii)		✓
b	If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIII the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment.
Complete if the organization answered "Yes" to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

	Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a	Land		1,505,183		1,503,183
b	Buildings		25,841,807	2,992,527	22,849,280
c	Leasehold improvements				
d	Equipment		1,053,196	317,739	735,457
e	Other		2,239,486	62,555	2,176,931
Total.	Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				27,266,851

Part VII Investments—Other Securities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12.)* ▶		

Part VIII Investments—Program Related.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13.)* ▶		

Part IX Other Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. *(Column (b) must equal Form 990, Part X, col. (B) line 15.)* ▶	

Part X Other Liabilities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	0
(2) **Construction Payable**	775,263
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25.)* ▶	775,263

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII ☐

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.
Complete if the organization answered "Yes" to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements			1	15,295,921
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII.)	2d	5,004,564		
e	Add lines **2a** through **2d**			2e	20,300,485
3	Subtract line **2e** from line **1**			3	0
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII.)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total revenue. Add lines **3** and **4c.** *(This must equal Form 990, Part I, line 12.)*			5	20,300,485

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.
Complete if the organization answered "Yes" to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements			1	15,081,058
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII.)	2d	5,004,564		
e	Add lines **2a** through **2d**			2e	20,085,623
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII.)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** *(This must equal Form 990, Part I, line 18.)*			5	20,085,623

Part XIII Supplemental Information.
Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4, Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b Also complete this part to provide any additional information.

Pell grants revenue and expenses of $4,319,919 are netted to equal 0. Institutional grant aid of $684,645 is netted against tuition and fees.

The total of the expenses for the pell grants and institutional aid is $5,004,564.

Part XIII Supplemental Information *(continued)*

Arkansas Baptist College TAX ID# 71-0298658

PART IV, LINE 20b

ARKANSAS BAPTIST COLLEGE

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2013

Sean M. Bruno

Certified Public Accountants

TABLE OF CONTENTS

Sean M. Bruno
Certified Public Accountants

Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of
Arkansas Baptist College
Little Rock, Arkansas

I have audited the accompanying consolidated financial statements of **Arkansas Baptist College** (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statement of activities and cash flows for the year 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6100 Elysian Fields Avenue-Suite 200
(504) 241-3411
New Orleans, LA 70122
Fax: (504) 241-3412

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Auditor's Responsibility, Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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, I 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 consolidated financial statements.

I believe that the consolidated audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Arkansas Baptist College** as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by ***Government Auditing Standards***

In accordance with Government Auditing Standards, I have also issued my report dated March 27, 2014 on my consideration of **Arkansas Baptist College's** internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Arkansas Baptist College's** internal control over financial reporting and compliance.

Sean M. Bruno
SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

March 27, 2014

ARKANSAS BAPTIST COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013

ASSETS

ASSETS:	
Cash and cash equivalents (NOTES 2)	$ 117,046
Student accounts receivable, net (NOTES 2 and 4)	3,695,101
Grants receivable (NOTE 2)	547,985
Inventory (NOTE 2)	60,575
Property, plant and equipment, net of accumulated depreciation of $3,372,821 (NOTES 2 and 7)	27,266,851
Other assets (NOTE 2)	479,075
TOTAL ASSETS	$ 32,166,633

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable and accrued expenses	$ 2,325,946
Construction costs payable	775,263
Notes payable (NOTE 8)	14,022,935
Line of credit payable (NOTE 8)	2,678,486
TOTAL LIABILITIES	19,802,630
NET ASSETS (NOTE 2):	
Unrestricted:	
Arkansas Baptist College	12,295,878
Non-controlling interest	68,125
TOTAL NET ASSETS	12,364,003
TOTAL LIABILITIES AND NET ASSETS	$ 32,166,633

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

ARKANSAS BAPTIST COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUE	
Tuition and fees (NOTE 9)	$ 8,676,141
Less: Institutional scholarships and discounts (NOTE 9)	(684,645)
Tuition and fees, net	7,991,496
Private gifts and donations	904,112
Governmental grants and contracts	2, 637,763
Auxiliary enterprises	3,677,842
Miscellaneous income	84,708
Total operating revenues	15,295,921
OPERATING EXPENSES (NOTE 2)	
Instructional	3,047,738
Public service	1,145,655
Academic support	1,075,107
Student services	3,105,816
General institutional	3,316,305
Auxiliary enterprises	2,856,211
Scholarships and fellowships	525,985
Total operating expenses	15,072,817
Change in net assets from operating activities	223,104
NON-OPERATING ACTIVITIES	
Noncontrolling interest	(8,241)
Change in net assets	214,863
Net assets, beginning of the year	12,149,140
Net assets, end of the year	$ 12,364,003

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

ARKANSAS BAPTIST COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 214,863
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	1,068,651
Provision for losses on student receivable	1,050,001
Change in operating assets and liabilities:	
Increase in student receivable	(2,330,219)
Decrease in grants receivable	24,801
Decrease in inventories	125,845
Decrease in payables	899,709
Increase in accrued liabilities	161,767
Decrease in other liabilities	(10,712)
Net cash provided by operating activities	1,204,706
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(1,704,936)
Net cash used for investing activities	(1,704,936)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	245,953
Proceeds from notes payable	622,608
Repayment of loans payable and line of credit	(368,406)
Net cash provided by financing activities	500,155
Net (decrease) in cash and cash equivalents	(75)
Cash and cash equivalents, beginning of year	117,121
Cash and cash equivalents, end of year	$ 117,046
Supplemental Disclosures	
Interest paid in cash	$ 977,251
Federal student loans	$ 7,910,036

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

NOTE 1 - <u>ORGANIZATION</u>:

Arkansas Baptist College ("**ABC**"), a not-for-profit institution of higher education, is a historically black private college located in Little Rock, Arkansas. **ABC** is primarily supported by tuition, private contributions, contributions from Baptist Churches and the Arkansas Convention, federal and state grants and contracts. The financial operations of Buffalo Development, LLC, are included in the consolidated financial statements. Buffalo Development, LLC is 99% owned by the **ABC** and 1% owned by a related party.

NOTE 2 - <u>BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>:

<u>Basis of Presentation</u>

In conformity with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, **ABC** reports its financial position and activities according to three classes of net assets, which are unrestricted, temporarily restricted and permanently restricted. A description of the three net asset categories is as follows:

<u>Unrestricted net assets</u>: Net assets that are not subject to donor-imposed stipulations. Revenues 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.

Unrestricted net assets which totaled $12,295,878 as of June 30, 2013 are utilized for general unrestricted operations, educational and research activities, restricted federal, state and local private activities, and property and plant related activities.

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, CONTINUED:

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met by actions of **ABC** and/or the passage of time. Temporarily restricted net assets are donor-restricted assets until appropriated (time restricted) for expenditure by **ABC**.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that should be maintained permanently by **ABC**. Generally, the donor of these assets permits **ABC** to use all or part of the income earned on related investments for general or specific purposes.

ABC did not have any temporarily or permanently restricted net assets at June 30, 2013.

Significant Accounting Policies

Use of Estimates

The financial statements of **ABC** are prepared on the accrual basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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. Application of these assumptions requires the exercise of judgment as to future uncertainties and as a result actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, **ABC** considers all short-term, highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, CONTINUED:

Student Accounts Receivable, Net

Student accounts receivable represent amounts due from students and are stated at the amount billed less applied scholarship, grants, loan proceeds, and payments. **ABC** provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition is generally due at the beginning of the semester unless the student has signed a payment plan. Delinquent receivables are written off once they are deemed uncollectible by management.

Fair Value

ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. Further, ASC Topic 820 requires **ABC** to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements.

Deferred Financing Costs

Included in other assets are deferred financing costs which represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Property, Plant and Equipment

Property, plant and equipment is stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts. **ABC**'s capitalization threshold for property, plant and equipment is $5,000. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, CONTINUED:

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Description	Estimated useful Life (years)
Buildings	10-50 years
Furniture and fixtures	5-10 years
Vehicles	5 years

Asset Impairment

ABC evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstance indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset costs is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of that long-lived asset exceeds id fair value.

Income Taxes

ABC is exempt from income tax under the provision of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been recorded. **ABC** files as a tax-exempt organization. Should that status be challenged in the future, **ABC's** tax years for the past three years remain open for examination by the Internal Revenue Service.

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, CONTINUED:

Grants Receivable

Revenue from expense reimbursement-based government contracts is recognized when reimbursable expenses are incurred under the terms of the contracts. Revenue from performance-based government contracts is recognized when performance objectives pursuant to the contract have been accomplished.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, costs associated with the operation and maintenance of plant, interest, amortization costs, and depreciation expense have been allocated among the programs and supporting services benefited. Depreciation expense and plant operations and maintenance are allocated based on square footage occupancy.

Interest expense is allocated to the functional categories that have benefited from the proceeds of the debt. The expenses allocated for the year ended June 30, 2013 are as follows:

Description	
Depreciation and amortization	$ 1,068,651
Operation and maintenance of plant	1,394,759
Interest expense	977,251
Total	$ 3,440,661

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, CONTINUED:

Operating and Non-Operating Activities

The Statement of Activities reports the change in net assets from **ABC's** operating and non-operating activities. Operating activities exclude the university's non-controlling interest in Buffalo Development.

Recently Issued Accounting Pronouncements

In October 2012 the FASB issued Accounting Standards Update (ASU) 2012-05 which provided authoritative guidance related to the classification of the sale proceeds of donated financial assets in the Statement of Cash Flows. The amendments in the update are effective prospectively for fiscal years beginning after June 15, 2013. **ABC** is evaluating the impact on its financial position, changes in net assets and cash flows.

In February 2013 the FASB issued ASU 2013-03 which clarify that the requirement to disclose "the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3)" does not apply to nonpublic entities for items that are not measured at fair value in the Statement of Financial Position but for which fair value is disclosed. The amendments in this update are effective for the fiscal year ended June 30, 2013.

NOTE 3 - RISKS AND UNCERTAINTIES:

Credit Risks

ABC has on deposit cash balances in various financial institutions. Interest-bearing and non-interest deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for deposit amounts up to $250,000. The FDIC insurance coverage limit applies per depositor and per insured depository institution for each account ownership category. At June 30, 2013, **ABC's** deposits were not in excess of insured limits.

NOTE 3 - RISKS AND UNCERTAINTIES, CONTINUED

Credit Risks, Continued

Credit risk represents the financial loss that **ABC** would suffer if the University's counterparties to a financial instrument, in owing an amount to **ABC**, would fail to meet or discharge their obligations. A substantial portion of revenues are derived from student financial assistance programs, which to a significant extent provide resources for the payment of student tuition and fees. Other sources of credit risk for **ABC** are student accounts and student federal loans receivable. **ABC** mitigates credit risk by aggressively pursuing collection efforts utilizing internal and external parties, continuously monitoring accounts to prevent delinquencies and consistently dialoguing with students about being responsible for maintaining good credit.

NOTE 4 - STUDENT ACCOUNTS RECEIVABLE, NET:

Student accounts receivable, reflected as net of allowance for doubtful accounts, are summarized as follows:

Description	
Student accounts receivable	$ 6,909,647
Less: allowance for doubtful accounts	(3,214,546)
Net student accounts receivable	$ 3,695,101

The carrying value of student accounts receivable, net approximates fair value.

ABC provides unsecured credit to students whose ability to repay the loans is based upon a number of similar economic conditions.

NOTE 5 - FAIR VALUE MEASUREMENTS:

In accordance with ASC Topic 820, fair value is defined as the price that **ABC** would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the

NOTE 5 - FAIR VALUE MEASUREMENTS, CONTINUED:

absence of a principal market the most advantageous market for the asset or liability. ASC Topic 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the criteria market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of **ABC's** assets or liabilities. As of June 30, 2013, **ABC** did not have any investments that would require fair value measurement disclosure.

ASC Topic 820 requires **ABC** to disclose fair value information for all financial instruments, whether or not recognized in the Statement of Financial Position, for which it is practicable to estimate fair value. **ABC's** financial instruments, other than notes payable and the line of credit, are generally short-term in nature and contain minimal credit risk. These instruments consist of cash and cash equivalents, accounts and grants receivable, other assets, accounts payable and accrued expenses, and construction costs payable. The carrying value of these assets and liabilities in the Statement of Financial Position are assumed to approximate fair value.

The estimated fair value of debt is determined based on rates currently available to **ABC** for debt with similar terms and remaining maturities. The carrying amount and estimated fair value of **ABC's** debt at June 30, 2013 is summarized as follows:

	Carrying Amount	Estimated Fair Value
Notes payable/line of credit	$ 16,701,421	$ 16,701,421

ABC does not have a nonfinancial asset that is being utilized in a manner that differs from its highest and best use.

NOTE 6 - FAIR VALUE OPTION:

ASC Topic 825 provides **ABC** with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between organizations that choose different measurement attributes for similar types of assets and liabilities. Currently, **ABC** has not adopted the guidelines of ASC Topic 825 and continues to evaluate whether or not it will in future periods based on industry participant elections and financial reporting consistency with other educational institutions.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT, NET:

Property, plant and equipment are summarized as follows:

Description	Amount
Land and improvements	$ 2,216,072
Buildings	25,841,806
Furniture and fixtures	940,910
Vehicles	112,287
Sub-total	29,111,075
Less: accumulated depreciation	(3,372,821)
Reconstruction in progress	1,528,597
Net property, plant and equipment	$ 27,266,851

ABC reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable through future utilization. An impairment charge is recognized when the fair value of an asset is less than its carrying value.

NOTE 8 - LONG-TERM DEBT:

Long-term debt at June 30, 2013 consists of:

LINES OF CREDIT:

Bank line of credit with borrowings up to $1,600,000 monthly interest rate at 6.0%. Secured by real property matured June 26, 2013. In June 2013, the line of credit agreement was extended through June 26, 2014.	$ 1,600,000
Bank line of credit with borrowings up to $1,100,000 monthly interest rate at 6.0%. Secured by real property matured June 26, 2013. In June 2013, the line of credit agreement was extended through June 26, 2014.	1,078,486
Total Lines of Credit	**$ 2,678,486**

NOTES PAYABLE:

Note payable to bank, due on demand, if no demand made monthly payments of interest of $2,923 at 7.5%. Principal payments of $50,000 are due in October and February of each year. Secured by real property, maturing on October 15, 2016.	$ 309,813
Note payable to bank, monthly payments of interest only at 5.5% through April 2018, then principal plus interest payments through maturity date of December 31, 2040. Secured by real property, financed through Buffalo Development, LLC.	12,191,090
Note payable to bank, due on demand, if no demand made monthly payments of interest only, at 5.25%. Principal payments of $25,000 are due in October and February of each year. Secured by real property, and matures on February 15, 2017.	125,000
Note payable to bank, due on demand, if no demand made quarterly interest payments at 6.0%. Principal payments of $20,000 are due in October and February of each year. Secured by real property, and matures on November 6, 2014.	141,600
Note payable to bank, due on demand, monthly payments of interest only at only 4.5% secured by real property until April 2014. Then principal and interest through maturity on May 2, 2017.	268,270
Note payable to bank, due on demand, if no demand made monthly interest payments at 5.25%. Principal of $79,100 due on October and February 15th of each year, Secured by real property, and matures on February 15, 2017.	632,824
Note payable to bank, monthly payments of interest only at 4.5% until May, 23, 2014. Then principal plus interest through maturity at April 23, 2017. 4.5% secured by real property, and matures on April 22, 2014.	354,338
Total Notes Payable	**$ 14,022,935**

Total Long-Term Debt	**$ 16,701,421**

NOTE 8 - LONG-TERM DEBT, CONTINUED:

Aggregate annual maturities of long-term debt based on contractual amortization of notes due on demand at June 30, 2013 are:

2014	$ 3,645,246
2015	344,153
2016	319,153
2017	201,779
2018	12,191,090
Total	$ 16,701,421

NOTE 9 - TUITION AND FEES:

Tuition and fees totaling $8,676,141 for the year ended June 30, 2013 have been reduced for institutional scholarships and discounts totaling $684,645, which were provided by federal sources and **ABC**.

The amount of funded and unfunded institutional scholarships and discounts are as follows:

Description	Amount
Other University support	$ 684,645
Total	$ 684,645

NOTE 10 - PENSION PLAN:

ABC maintains a defined contribution retirement plans in which substantially all of its employees are eligible to participate. Under the plan, participating employees contribute at least 5% of their regular pay and **ABC** matches the participants' contributions at 4% of their respective gross salaries. For the year ended June 30, 2013, **ABC's** matching contributions in the plan totaled $33,309.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Letter of Credit

On June 19, 2013 **ABC** was required to post a $1.45 million standby letter of credit ("LOC") for submitting its 2012 audit after the March 31st due date. This LOC would be used in the event that **ABC** is unable to repay amounts due to the U.S. Department of Education ("DOE"). **ABC** has been given several extensions to obtain the LOC.

In July 2012, DOE performed a Program Review of **ABC's** Title IV federal financial aid program for the award year 2010-11. **ABC** submitted documentation as responses to the findings and is waiting on a final determination by the DOE.

ABC is operating on a temporary Participating Agreement with DOE. Management believes that it will be renewed when DOE completes its final review of all document submittals.

On August 29, 2013, the U.S. Department of Education transferred **ABC** from Advanced Method of payment to Heightened Cash Monitoring 2 ("HCM2") method of receiving Title IV federal financial aid due to the severity of the FY 2011-12 A-133 financial aid audit findings. Under HCM2, **ABC** must submit a request for reimbursement with appropriate documentation, no more than one per month, and be reimbursed within 30 days if the payment analyst finds no more than three (3) errors. **ABC** can be restored to advance method of payment after submitting at least six (6) successful HCM2 requests if there are no other problems with administrative capabilities.

NOTE 11 - COMMITMENTS AND CONTINGENCIES, CONTINUED:

ABC also submitted documented responses to the FY 2011-12 audit findings and is awaiting responses from DOE for final determination of the responses. Subsequent to year end, **ABC** paid approximately $73,241 of the $243,000 credit balances cited in the audit to students and DOE and applied balance to proper terms.

Litigation

ABC is involved in litigation in the normal course of business. Management believes such litigation will not materially effect the financial statements. As such, a provision for loss contingencies has not been recorded in the financial statements.

Participation in Grant Programs

ABC administers and participates in various federally funded grants as disclosed in the Schedule of Expenditures of Federal Awards that are primarily received from the U.S. Department of Education.

In connection with the administration and operation of these grants, **ABC** is to expend grant funds and allocations in accordance with the program guidelines and regulations. However, should **ABC** have operated/administered these grants/programs in a manner which would be in noncompliance with the guidelines and regulations, **ABC** may be required by the funding sources to repay some portion or all of the grant award.

Construction Contract

ABC has entered into contractual arrangements with several contractors totaling $9,087,740 to perform construction activities on the campus. The remaining balance of the contracts as of June 30, 2013 totaled $8,873,098. Additionally, change orders were issued during the period July 1, 2013 through January 31, 2014 relative to the noted contracts totaling $10,289.

NOTE 12 - RELATED PARTY

An officer of **ABC** owns 1% of Buffalo Development, LLC, an entity consolidated by **ABC**. Such ownership was required in order to execute a certain loan agreement. The administration of **ABC** believes the officer will not receive any financial benefit or loss related to this ownership.

NOTE 13 - SUBSEQUENT EVENTS:

ABC has evaluated subsequent events through the date that the financial statements were available to be issued, March 27, 2014, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Sean M. Bruno

Certified Public Accountants

Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTSPERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Arkansas Baptist College
Little Rock, Arkansas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **Arkansas Baptist College (ABC),** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise **ABC's** basic financial statements and have issued my report thereon dated March 27, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered **ABC's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **ABC's** internal control. Accordingly, I do not express an opinion on the effectiveness of **ABC's** internal control.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified a deficiency in internal control that I consider to be a material weakness and significant deficiency.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTSPERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

(CONTINUED)

Internal Control over Financial Reporting, Continued

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2013-01 in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **ABC's** financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

ABC's Response to Findings

ABC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **ABC's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTSPERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

(CONTINUED)

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sean M. Bruno

SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

March 27, 2014