

# CALVARY CHAPEL BIBLE COLLEGE

Financial Statements  
With Independent Auditors' Report

June 30, 2021 and 2020

# CALVARY CHAPEL BIBLE COLLEGE

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## INDEPENDENT AUDITORS' REPORT

Calvary Chapel Costa Mesa  
Calvary Chapel Bible College  
Santa Ana, California

We have audited the accompanying financial statements of Calvary Chapel Bible College, a division of Calvary Chapel Costa Mesa, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, 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.

### *Auditors' 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 audits 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Calvary Chapel Costa Mesa  
Calvary Chapel Bible College  
Santa Ana, California

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Calvary Chapel Bible College as of June 30, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Brea, California  
November 10, 2021

# CALVARY CHAPEL BIBLE COLLEGE

## Statements of Financial Position

	June 30,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 746,327	\$ 620,611
Accounts receivable, net	113,551	16,835
Prepaid and other assets	9,340	-
Property and equipment - at cost, net	164,958	220,123
Total Assets	<u>\$ 1,034,176</u>	<u>\$ 857,569</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 5,740	\$ 6,057
Accrued expenses	41,864	24,363
Deferred revenue	81,231	103,383
Total liabilities	<u>128,835</u>	<u>133,803</u>
Net assets:		
Without donor restrictions	889,157	618,458
With donor restrictions	16,184	105,308
Total net assets	<u>905,341</u>	<u>723,766</u>
Total Liabilities and Net Assets	<u>\$ 1,034,176</u>	<u>\$ 857,569</u>

See notes to financial statements

# CALVARY CHAPEL BIBLE COLLEGE

## Statements of Activities

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Tuition and fees						
- net of scholarships of						
\$102,624 and \$53,235, respectively	\$ 1,883,507	\$ -	\$ 1,883,507	\$ 2,160,349	\$ -	\$ 2,160,349
Contributions	58,741	13,500	72,241	2,030	66,568	68,598
Other income	84,997	-	84,997	50,633	-	50,633
	2,027,245	13,500	2,040,745	2,213,012	66,568	2,279,580
Net assets released from:						
Purpose restrictions	102,624	(102,624)	-	55,016	(55,016)	-
	102,624	(102,624)	-	55,016	(55,016)	-
Total Support, and Revenue	2,129,869	(89,124)	2,040,745	2,268,028	11,552	2,279,580
EXPENSES:						
Program activities	1,595,275	-	1,595,275	1,843,316	-	1,843,316
Supporting activities:						
General and administrative	248,317	-	248,317	325,920	-	325,920
Fundraising	15,578	-	15,578	57,688	-	57,688
Total Expenses	1,859,170	-	1,859,170	2,226,924	-	2,226,924
Change in Net Assets	270,699	(89,124)	181,575	41,104	11,552	52,656
Net Assets, Beginning of Year	618,458	105,308	723,766	577,354	93,756	671,110
Net Assets, End of Year	\$ 889,157	\$ 16,184	\$ 905,341	\$ 618,458	\$ 105,308	\$ 723,766

See notes to financial statements

# CALVARY CHAPEL BIBLE COLLEGE

## Statement of Functional Expenses

Year Ended June 30, 2021

	<u>Program Activities</u>	<u>Management and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 686,221	\$ 34,035	\$ 8,744	\$ 729,000
Student room & board	327,780	-	-	327,780
Administrative, office, and other	68,539	169,683	254	238,476
Student meals	236,159	-	-	236,159
Employee benefits	133,158	7,008	-	140,166
Supplies	60,765	31,597	6,580	98,942
Occupancy, utilities, and maintenance	28,118	3,124	-	31,242
Depreciation	54,535	2,870	-	57,405
Total Expenses	<u>\$ 1,595,275</u>	<u>\$ 248,317</u>	<u>\$ 15,578</u>	<u>\$ 1,859,170</u>

See notes to financial statements

# CALVARY CHAPEL BIBLE COLLEGE

## Statement of Functional Expenses

Year Ended June 30, 2020

	<u>Program Activities</u>	<u>Management and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 710,483	\$ 22,919	\$ 30,558	\$ 763,960
Student room & board	188,152	-	-	188,152
Administrative, office, and other	96,668	216,984	17,973	331,625
Student meals	441,544	-	-	441,544
Employee benefits	171,026	6,481	6,392	183,899
Supplies	138,144	38,380	2,765	179,289
Occupancy, utilities, and maintenance	89,496	9,944	-	99,440
Depreciation	<u>7,803</u>	<u>31,212</u>	<u>-</u>	<u>39,015</u>
Total Expenses	<u>\$ 1,843,316</u>	<u>\$ 325,920</u>	<u>\$ 57,688</u>	<u>\$ 2,226,924</u>

See notes to financial statements

# CALVARY CHAPEL BIBLE COLLEGE

## Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 181,575	\$ 52,656
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	57,405	39,015
Loss on disposal of equipment	3,355	-
Proceeds on sale of equipment	2,500	-
Net change in:		
Accounts receivable	(96,716)	(16,835)
Prepaid and other assets	(9,340)	-
Accounts payable	(317)	(7,430)
Accrued expenses	17,501	(16,749)
Deferred revenue	(22,152)	(88,179)
Net Cash Provided (Used) by Operating Activities	133,811	(37,522)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Equipment purchases	(8,095)	(60,915)
Net Cash Used in Investing Activities	(8,095)	(60,915)
Change in Cash and Cash Equivalents	125,716	(98,437)
Cash and Cash Equivalents, Beginning of Year	620,611	719,048
Cash and Cash Equivalents, End of Year	\$ 746,327	\$ 620,611
<b>SUPPLEMENTAL INFORMATION:</b>		
Write off of fully depreciated fixed assets	\$ 97,572	\$ -

See notes to financial statements

# CALVARY CHAPEL BIBLE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

1. NATURE OF ORGANIZATION:

Calvary Chapel Bible College (the College), is an auxiliary of Calvary Chapel of Costa Mesa (the Church) founded in 1975 by Chuck Smith. All members of the College staff are employees of the Church. The College was started with the vision of equipping the Saints to do the work of the Kingdom. The College offers undergraduate degrees in biblical studies and related topics.

The College is a dba of the Church which is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law. However, the Church, and therefore the College, are subject to federal income tax on any unrelated business taxable income. In addition, the Church is not classified as a private foundation within the meaning of Section 509(a) of the IRC. Contributions by the public are deductible for income tax purposes. Primary sources of income for the College include tuition and contributions.

The Church is the primary reporting entity for the College.

### ACCREDITATION

Calvary Chapel Bible College holds applicant status with the Association for Biblical Higher Education Commission on Accreditation (ABHE) as of June 2018. Applicant status is a pre-membership status granted to those institutions that meet the ABHE Conditions of Eligibility and that possess such qualities as may provide a basis for achieving candidate status within five years. As part of the pursuit for accreditation with ABHE, the College is working to establish themselves as an integrated auxiliary of the Church which included filing articles of incorporation with the secretary of state of California on October 27, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the College have been prepared on the accrual basis in accordance with the accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

### CASH AND CASH EQUIVALENTS

For statement of financial position and cash flow purposes, cash and cash equivalents consist primarily of checking, savings, and money market accounts, certificates of deposit, and cash on hand. The College's cash is held in accounts controlled by the Church. These accounts may, at times, exceed federally insured limits. As of June 30, 2021 and 2020, the Church's cash balances exceeded federally insured limits by approximately \$587,000 and \$380,000, respectively. The Church has not experienced any losses on these accounts.

# CALVARY CHAPEL BIBLE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

### PROPERTY AND EQUIPMENT

Expenditures over \$5,000 for property and equipment are capitalized at cost. Donated items are recorded at fair value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 10 years. Gifts of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions must specify how the assets are to be used; gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### NET ASSETS

The financial statements report amounts by classification of net assets as follows:

*Net assets without donor restrictions* are those currently available at the discretion of the board for use in the College's operations, resources designated for student scholarships, and those resources invested in property and equipment.

*Net assets with donor restrictions* are those which are stipulated by donors for specific operating purposes or for specific projects.

All contributions are considered available for without donor restriction use unless specifically restricted by the donor.

### PUBLIC SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received or when ownership of donated assets are transferred to the College. The College records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as a release of donor restrictions.

The College records tuition and other fees as they are earned.

# CALVARY CHAPEL BIBLE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities. Depreciation is allocated based on estimated use of square footage. Other expenses are allocated based on estimates of time and effort.

### ADVERTISING

Advertising is used to promote the College. Advertising expense was approximately \$8,600 and \$19,000, for the years ended June 30, 2021 and 2020, respectively. Advertising costs are expensed as incurred and included in administrative, office, and other expenses on the statements of functional expenses.

### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The College adopted the provisions of this new standard during the year ended June 30, 2021. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Following the adoption of ASU 2014-09, the College continues to recognize revenue from students as services are provided, which corresponds to the year in which the related academic services are rendered. There was no material impact to the financial statements as a result of adoption. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

3. LIQUIDITY AND FUNDS AVAILABLE:

The College had approximately \$860,000 and \$637,000, of financial assets, consisting of cash and cash equivalents and accounts receivable, available for operating expenditures within one year of the balance sheet date for the years ending June 30, 2021 and 2020, respectively. The College has donor-restricted net assets that are available for general expenditures within one year of June 30, 2021 and 2020, because the restrictions are expected to be met by conducting the normal activities of the College in the coming year.

# CALVARY CHAPEL BIBLE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

4. PROPERTY AND EQUIPMENT:

Property and equipment consists of:

	June 30,	
	2021	2020
Furniture and equipment	\$ 646,987	\$ 747,532
Library books	47,754	47,754
	694,741	795,286
Less accumulated depreciation	529,783	575,163
	\$ 164,958	\$ 220,123

5. NET ASSETS:

Net assets with donor restrictions consist of funds designated for student scholarships which as of June 30, 2021 and 2020, totaled approximately \$16,000 and \$105,000, respectively.

6. PENSION PLAN:

The College participates in the retirement plan of the Church which is a defined contribution plan covering all employees who have met certain service requirements. Employees may contribute pretax earnings up to the maximum amounts allowable by law under the plan. There are currently no employer contributions to the plan.

7. COMMITMENTS:

The College has operating lease commitments for office equipment. The lease agreements mature between February and July 2024. Total lease expense was approximately \$13,000 for each of the years ended June 30, 2021 and 2020. As of June 30, 2021, the remaining balances of future lease commitments are as follows:

<u>Year ending June 30:</u>		
2022	\$	13,280
2023		13,280
2024		12,437
2025		897
		897
	\$	39,894

# CALVARY CHAPEL BIBLE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

8. RELATED PARTY TRANSACTIONS:

The College is located on the 47 acre campus of Murrieta Hot Springs Conference Center (MHS), which is also owned and operated by the Church. Accordingly, the College and MHS have shared costs and therefore have entered into a monthly agreement whereby MHS provides service to students and staff for a fee. For the years ended June 30, 2021 and 2020, the College paid MHS for student services approximately \$328,000 and \$275,000, respectively.

In March 2021, the Church sold the MHS campus. Due to this transaction the College has received approval from the city of Twin Peaks, CA, to again operate out of the Twin Peaks Christian Conference Center grounds, which is also owned and operated by the Church, beginning in fiscal year 2023. A formal rental agreement as of the date of this report is still in the negotiating stage. The College will pay an annual amount of \$10 for rent, and they will also be responsible for operating expenses which will be shared with Lake Arrowhead Christian School, who is also operating out of the property. The split of shared expenses has yet to be determined.

9. RISKS AND UNCERTAINTIES:

The College's operations have been and may continue to be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the College's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the College's donor population and revenue, absenteeism in the College's workforce, and a decline in value of assets held by the College, including inventories, and property and equipment. The financial impact cannot be estimated at this time.

The College's operations will likely be affected by the change in location that will occur preceding the fall semester of 2022. To address this, the College has put the following processes in place: ongoing communications and Q&A sessions with current and continuing students, planning to take the whole student body for a field trip in Spring 2022 to experience the Twin Peaks campus, planning to send out mailers to alumni/potential students, adding a Twin Peaks campus information page to the website, and social media communications with their online network. The confirmation of Twin Peaks as the future campus has received positive responses from students, parents and alumni who have expressed how much they enjoyed attending the college when it operated its main campus there, from 1975-1995. The College has plans for a strong media push to tell the story of the College returning to its original home campus, to aid in mobilizing alumni and church leaders to share an invitation for prospective new students to apply for Fall 2022 in Twin Peaks. While there is some uncertainty regarding retention and new student recruitment due to the move to the smaller campus, the College's recruitment experience in 2018 showed that a late recruitment push in the spring using various media channels can be very effective in generating an abundance of applications for the fall semester.

# CALVARY CHAPEL BIBLE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

9. RISKS AND UNCERTAINTIES, continued:

The College currently has sufficient full-time staff for operations and residential campus life to run effectively. Some full-time staff members teach in their area of expertise and have faculty status, which gives students a consistent faculty presence on campus. Several current faculty members have expressed their commitment to continue teaching at the Twin Peaks campus, since it will not be too far of a commute for them. The College has a large pool of applicants for full-time and part-time faculty positions, and the new location is within 30 minutes of a large metropolitan area where many potential faculty members reside. While the College faculty has always been composed of a small number of full-time faculty with many adjuncts—many of them pastors and Christian leaders who teach part-time in their areas of expertise—the College plans to address the lack of full-time faculty by developing funding to support these positions, including small, incremental increases to tuition (less than 7% per year). The College expects it to be in a stronger position to seek donations for this purpose after the move to Twin Peaks is complete in Fall 2022. By then the College will be established as an integrated auxiliary of the Church with its own FEIN and 501(c)3 status which will put it in a better position to pursue funding from a larger pool of individuals and other churches of like faith.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 10, 2021, which is the date the financial statements were available to be issued.