

NORTHPOINT BIBLE COLLEGE
FINANCIAL STATEMENTS
WITH SUPPLEMENTAL SCHEDULES
AND OTHER REPORTS
YEARS ENDED APRIL 30, 2019 AND 2018
AND
INDEPENDENT AUDITOR'S REPORT

NORTHPOINT BIBLE COLLEGE
FINANCIAL STATEMENTS
WITH SUPPLEMENTAL SCHEDULES
AND OTHER REPORTS
YEARS ENDED APRIL 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Northpoint Bible College

Report on the Financial Statements

We have audited the accompanying financial statements of Northpoint Bible College (the "College"), which comprise the statements of financial position as of April 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended April 30, 2019 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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 College'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northpoint Bible College as of April 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of a Matter

As disclosed in Note 2 to the financial statements, the College adopted the provisions of ASU 2016-14 - Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2020, on our consideration of Northpoint Bible College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northpoint Bible College's 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 Northpoint Bible College's internal control over financial reporting and compliance.

Ballus Lynch, LLP

Worcester, Massachusetts
January 10, 2020

NORTHPOINT BIBLE COLLEGE
STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2019 AND 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 95,990	\$ 268,135
Restricted cash and equivalents	229,219	261,181
Student fees receivable, net of allowance for uncollectible accounts of \$641,376 and \$178,394 in 2019 and 2018, respectively	359,487	529,555
Prepaid expenses and other current assets	24,136	36,879
Total current assets	708,832	1,095,750
Property and equipment, net	17,470,732	16,842,994
Other assets		
Investments	558,608	542,788
Library books, net of accumulated amortization of \$188,802 and \$180,894 in 2019 and 2018, respectively	2,231	10,140
	560,839	552,928
	\$ 18,740,403	\$ 18,491,672
Liabilities and Net Assets		
Current liabilities		
Note payable	\$ 200,000	\$ 435,000
Current portion of capital lease obligation	9,187	-
Accounts payable	289,462	394,416
Advance tuition and other deposits	106,661	88,259
Accrued and other liabilities	223,372	267,837
Total current liabilities	828,682	1,185,512
Long-term liabilities		
Capital lease obligation, net of current portion	23,495	-
Total liabilities	852,177	1,185,512
Net assets		
Without donor restrictions	16,956,784	16,501,882
With donor restrictions	931,442	804,278
Total net assets	17,888,226	17,306,160
Total liabilities and net assets	\$ 18,740,403	\$ 18,491,672

See accompanying independent auditor's report and notes to financial statements.

NORTHPOINT BIBLE COLLEGE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Student tuition and fees	\$ 3,074,483	\$ -	\$ 3,074,483
Contributions	2,814,550	282,903	3,097,453
Auxiliary enterprises	757,954	-	757,954
Net investment return	-	15,820	15,820
Other income	11,759	-	11,759
Net assets released from restriction	<u>171,559</u>	<u>(171,559)</u>	<u>-</u>
Total	<u>6,830,305</u>	<u>127,164</u>	<u>6,957,469</u>
Expenses:			
Education	3,188,751	-	3,188,751
Auxiliary enterprises	497,994	-	497,994
Management and general	2,462,612	-	2,462,612
Fundraising	<u>226,046</u>	<u>-</u>	<u>226,046</u>
Total	<u>6,375,403</u>	<u>-</u>	<u>6,375,403</u>
Change in net assets	454,902	127,164	582,066
Net assets, beginning of year	<u>16,501,882</u>	<u>804,278</u>	<u>17,306,160</u>
Net assets, end of year	<u>\$ 16,956,784</u>	<u>\$ 931,442</u>	<u>\$ 17,888,226</u>

See accompanying independent auditor's report and notes to financial statements.

NORTHPOINT BIBLE COLLEGE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Student tuition and fees	\$ 3,568,943	\$ -	\$ 3,568,943
Contributions	831,533	243,358	1,074,891
Auxiliary enterprises	933,763	-	933,763
Net investment return	-	40,439	40,439
Other income	30,905	-	30,905
Loss on disposal of property and equipment	(61,250)	-	(61,250)
Net assets released from restriction	<u>222,621</u>	<u>(222,621)</u>	<u>-</u>
Total	<u>5,526,515</u>	<u>61,176</u>	<u>5,587,691</u>
Expenses:			
Education	3,297,878	-	3,297,878
Auxiliary enterprises	665,302	-	665,302
Management and general	1,999,811	-	1,999,811
Fundraising	<u>234,533</u>	<u>-</u>	<u>234,533</u>
Total	<u>6,197,524</u>	<u>-</u>	<u>6,197,524</u>
Change in net assets	(671,009)	61,176	(609,833)
Net assets, beginning of year	<u>17,172,891</u>	<u>743,102</u>	<u>17,915,993</u>
Net assets, end of year	<u><u>\$ 16,501,882</u></u>	<u><u>\$ 804,278</u></u>	<u><u>\$ 17,306,160</u></u>

See accompanying independent auditor's report and notes to financial statements.

NORTHPOINT BIBLE COLLEGE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED APRIL 30, 2019

	Supporting Services				Total
	Education	Auxiliary Enterprises	Management and General	Fundraising	
Salaries	\$ 1,430,795	\$ 75,704	\$ 756,812	\$ 78,719	\$ 2,342,030
Payroll tax expense	111,807	1,280	51,136	6,738	170,961
Employee benefits	185,139	-	82,637	2,545	270,321
Dues and membership fees	19,133	-	380	9,048	28,561
In-service training and seminars	2,265	-	10	-	2,275
Conference and travel	21,238	-	41,166	38,489	100,893
Employee and student recruitment	-	-	27,041	-	27,041
Insurance	5,813	969	73,457	2,906	83,145
Student health insurance	-	-	40,351	-	40,351
Office supplies	25,293	1,420	22,474	1,343	50,530
Copier lease and supplies	-	-	25,111	495	25,606
Telephone	29,674	3,391	7,207	2,120	42,392
Printing	2,350	-	3,169	3,784	9,303
Postage	796	-	5,329	5,424	11,549
Professional fees	-	-	75,305	-	75,305
Bank and finance charges	-	-	30,399	-	30,399
Interest	-	-	18,080	-	18,080
Small equipment and tools	1,036	4,593	-	600	6,229
Crandell life estate	-	-	58,331	-	58,331
Utilities	410,669	46,934	99,733	29,334	586,670
Vehicle expense	47	-	18,195	1,619	19,861
Building and equipment maintenance	1,442	7,473	133,210	-	142,125
Janitorial supplies	16,674	-	70	-	16,744
Outsourced services	7,414	-	18,169	-	25,583
Depreciation and amortization	401,937	45,936	97,612	28,710	574,195
Property tax	-	-	5,666	-	5,666
Software and hardware support	362	-	258,920	946	260,228
Library & Textbook purchases	11,440	-	-	-	11,440
Food cost	100	310,182	7,705	15	318,002
Honorariums and guest expenses	1,048	-	10,122	1,704	12,874
Mission fellowship expense	2,237	-	24,479	-	26,716
Scholarships	445,740	-	-	-	445,740
Miscellaneous expenses	-	112	7,354	1,003	8,469
Zionian and alumni expenses	17,362	-	-	10,504	27,866
Class expenses	36,940	-	-	-	36,940
Bad debt expense	-	-	462,982	-	462,982
Total expenses	\$ 3,188,751	\$ 497,994	\$ 2,462,612	\$ 226,046	\$ 6,375,403

See accompanying independent auditor's report and notes to financial statements.

NORTHPOINT BIBLE COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED APRIL 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 582,066	\$ (609,833)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	574,195	561,627
Net investment losses (gains)	4,137	(28,342)
Bad debt expense	462,982	71,250
Loss on disposal of property and equipment	-	61,250
(Increase) decrease in operating assets:		
Restricted cash and equivalents	31,962	(152,703)
Student fees receivable	(292,914)	(191,500)
Prepaid expenses and other current assets	12,743	(20,288)
Increase (decrease) in operating liabilities:		
Accounts payable	98,498	6,358
Advance tuition and other deposits	18,402	(88,228)
Accrued and other liabilities	(44,465)	161,301
Total adjustments	<u>865,540</u>	<u>380,725</u>
Net cash provided by (used in) operating activities	<u>1,447,606</u>	<u>(229,108)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,359,466)	(511,862)
Proceeds from sale of investments	11,479	75,416
Purchases of investments	<u>(31,436)</u>	<u>(43,854)</u>
Net cash used in investing activities	<u>(1,379,423)</u>	<u>(480,300)</u>
Cash flow from financing activities		
Net borrowings (payments) on note payable	(235,000)	435,000
Payments on capital lease obligation	<u>(5,328)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(240,328)</u>	<u>435,000</u>
Net decrease in cash	(172,145)	(274,408)
Cash and cash equivalents, beginning of year	<u>268,135</u>	<u>542,543</u>
Cash and cash equivalents, end of year	<u>\$ 95,990</u>	<u>\$ 268,135</u>

See accompanying independent auditor's report and notes to financial statements.

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION

Northpoint Bible College (the “College”) is a not-for-profit educational institution founded in 1924. The College is an accredited Bible college located in Haverhill, Massachusetts, offering programs in biblical studies ranging from one to four years, which are designed to prepare students for the ministry. The College serves a student population consisting of students from the United States and several foreign countries. The College is supported primarily by tuition and contributions from alumni and the general public.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the College are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of accounting

The accompanying financial statements of the College have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the College obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the College’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The College’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the College, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the College may elect to designate such resources for specific purposes. This designation may be removed at the board’s discretion.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the College must continue to use the resources in accordance with the donor’s instructions.

The College’s unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the College, unless the donor provides more specific directions about the period of its use.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash and cash equivalents

The College maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The College has not experienced any losses in such accounts. The College believes it is not exposed to any significant credit risk on cash and cash equivalents.

The College's restricted cash and equivalents includes donor restricted contributions received for specifically imposed stipulations at a later date, as well amounts internally set aside for specific operating purposes.

Student fees receivable

Student fees receivable are reported net of any anticipated losses due to uncollectible amounts. The College considers an account to be past due when a student has an account balance after the final payment due date for a given semester or when a student leaves the College with an unpaid account balance. Past due accounts are subject to internal collection efforts and are subsequently placed with third-party collection agencies. The collectability of individual accounts is evaluated closely at the close of each fiscal year, and the allowance for uncollectible accounts is adjusted to a level which, in management's judgment, is adequate to absorb potential losses inherent in amounts receivable. The College does not assess finance charges against student receivables that are past due.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. There are no contributions receivable as of April 30, 2019 and 2018.

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at fair value. The net investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law.

Endowment funds

The College's endowment consists of individual donor restricted funds established with contributions to provide scholarship and financial aid to students. As required by generally accepted accounting principles, net assets associated with endowment funds, including any funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed or legal restrictions.

As required by generally accepted accounting principles, the College classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the College may consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the College and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the College; and the investment policies of the College.

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a fixed stream of income while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest, dividends and net rental income). The College has invested in debt and equity securities that target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The College has a policy of reinvesting 25% of the income generated by the endowment fund's investments into the endowment. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the purchasing power of its endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor-imposed restrictions require the College to retain as a fund of perpetual duration. There were no such deficiencies as of April 30, 2019 and 2018.

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$2,500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

Advance Tuition

Certain deposits and advance payments received for tuition and fees related to the ensuing academic year are deferred and are recorded as advance tuition and other liabilities.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Contributions and grants

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Expense recognition and allocation

The cost of providing the College's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on time spent by the employees on the College's programs and supporting activities.
- Depreciation and amortization, telephone and utilities are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Management periodically evaluates the bases on which costs are allocated.

Management and General expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the College.

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation (continued)

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The College generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising expense was insignificant in 2019 and 2018, respectively.

Tax-exempt status

The College is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the College are tax deductible to donors under Section 170 of the IRC. The College is not classified as a private foundation.

Change in accounting principles

The College implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called “Net Assets with Donor Restrictions”.
- The unrestricted net asset class has been renamed “Net Assets without Donor Restrictions”.
- A Statement of Functional Expenses has been included as a required statement.
- The financial statements include a disclosure about liquidity and availability of resources (note 3).
- Investment fees are recorded as a component of investment return.

The changes have the following effect on net assets at April 30, 2017.

	As Originally Presented	After Adoption of ASU 2016-14
Net asset class		
Unrestricted net assets	\$ 17,172,891	\$ -
Temporarily restricted net assets	402,247	-
Permanently restricted net assets	340,855	-
Net assets without donor restrictions	-	17,172,891
Net assets with donor restrictions	-	743,102
Total net assets	\$ 17,915,993	\$ 17,915,993

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of April 30, 2019 are:

	2019
Financial assets:	
Cash and cash equivalents	\$ 95,990
Restricted cash and cash equivalents	229,219
Student fees receivable, net	359,487
Investments	558,608
Total financial assets	1,243,304
Less: Financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	322,834
Donor-restricted endowment funds	608,608
Amount available for general expenditures within one year	\$ 311,862

The above table reflects donor-restricted endowment funds as unavailable because it is the College's intention to invest those resources for the long-term support of the College. However, in the case of need, the Board of Trustees could appropriate resources from the donor-restricted funds available for general use. (\$608,608, of which \$400,374 is the original gift). Note 2 provides more information about those funds and about the spending policies for all endowment funds.

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the available financial assets summarized above, the College has various sources of liquidity at its disposal, including a line of credit. See note 7 for information about the College's line of credit.

4 - FINANCIAL CONDITION

Operating activities and cash flow needs of the College are heavily dependent on the contributions received from a single related party donor (\$2,580,000 and \$550,000 during 2019 and 2018, respectively). As a result, annual changes in net assets and cash flow from operations fluctuate in direct correlation to this support

Management presented and is monitoring a balanced budget for the April 30, 2020 fiscal year. The new budget includes cost-saving administrative and staff reductions that reflect shifting needs of the College, as well as the adoption of technologically enhanced efficiencies and outsourcing. In addition, maintenance and upgrades on buildings and equipment completed during the previous few years (without incurring debt) are beginning to generate savings. No major physical plant projects are scheduled for the April 30, 2020 fiscal year.

After attending training, the College's Board of Trustees have developed a plan to assist with fund-raising efforts. As part of this plan, the College has shifted resources and operational focus to boost student recruitment efforts. Additional instructional sites, new degree programs, and new partnerships with diverse ecclesiastical bodies are being explored to generate additional enrollment and diverse streams of revenue. A new Director of Alumni Relations position has also been added to assist with these efforts and aggressively pursue alumni gifts and estate planning.

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - INVESTMENTS

Investments are included, at fair value, in the following classes of net assets:

	2019	2018
Donor restricted funds:		
With donor restrictions	\$ 558,608	\$ 542,788

Investments are composed of the following:

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Money market fund	\$ 204,176	\$ 204,176	\$ 204,597	\$ 204,597
Mutual funds - equity based	269,257	354,432	246,493	338,191
	\$ 473,433	\$ 558,608	\$ 451,090	\$ 542,788

The net investment return for 2019 and 2018 is composed of the following:

	2019	2018
Interest and dividends	\$ 21,543	\$ 15,736
Net investments gains (losses)	(4,137)	28,342
Investment fees	(1,586)	(3,639)
	\$ 15,820	\$ 40,439

6 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consists of the following:

	Estimated Useful Lives	2019	2018
Land	-	\$ 3,700,000	\$ 3,700,000
Buildings and improvements	25 - 40 years	16,858,467	15,760,948
Equipment and furniture	3 - 10 years	1,882,658	1,786,153
		22,441,125	21,247,101
Less: Accumulated depreciation		4,970,393	4,404,107
		\$ 17,470,732	\$ 16,842,994

Depreciation expense for property and equipment was \$566,287 and \$546,589 for the years ended April 30, 2019 and 2018, respectively.

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 - NOTE PAYABLE

The College has a \$500,000 revolving line of credit with its bank, secured by all business assets of the College. The note bears interest at an adjustable annual rate equal to the Wall Street Journal Prime Rate, plus one percent (6.5% as of April 30, 2019). There is no expiration date for this line of credit. The agreement will end at a time when both parties agree in writing to end the arrangement. The outstanding balance on this revolving line of credit was \$200,000 and \$435,000 as of April 30, 2019 and 2018, respectively.

8 - ENDOWMENT ASSETS

Changes in endowment assets for the year ended April 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, April 30, 2017	\$ -	\$ 546,008	\$ 546,008
Net investment return	-	40,439	40,439
Additions	-	50,000	50,000
Appropriation for expenditure	-	(43,659)	(43,659)
Endowment assets, April 30, 2018	-	592,788	592,788
Net investment return	-	15,820	15,820
Endowment assets, April 30, 2019	<u>\$ -</u>	<u>\$ 608,608</u>	<u>\$ 608,608</u>

9 - COMMITMENTS

Consulting Agreement

The College has a consulting agreement with a retired former president of the College. The agreement provides for annual consulting payments, a housing allowance, and an auto allowance, all of which were paid during the years ended April 30, 2019 and 2018. In addition, supplemental health insurance premiums, prescription drugs, medications, and other medical costs are paid as part of the agreement. No funds have been set aside or restricted in the accompanying financial statements for these obligations and such future costs have not been calculated and/or determined. The following amounts were paid during the year in connection with this agreement:

	<u>2019</u>	<u>2018</u>
Consulting	\$ 5,703	\$ 5,355
Housing allowance	33,745	31,689
Automobile allowance	15,442	14,500
Health insurance and medical costs	3,479	4,062
	<u>\$ 58,369</u>	<u>\$ 55,606</u>

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

9 - COMMITMENTS (Continued)

Residential House Contribution - Life Estate

During the year ended June 30, 1999, the College received residential property valued at \$155,000. This was given to the College with the condition that the donors live in the property rent-free until their death. During the year ended June 30, 2007, the Life Estate was amended to allow the donors to relocate. The College purchased a second residential property for this purpose and sold the original.

The amended Life Estate agreement required that \$50,000 of the sale proceeds be maintained in an escrow account to pay the annual real estate taxes and any repairs exceeding \$500. Amounts paid by the College during the years ended April 30, 2019 and 2018 to cover such expenses were \$5,666 and \$6,036, respectively. Funds in this escrow were depleted during the year ended April 30, 2018. Payments for these expenses going forward will be funded out of the College's operations.

Deferred Housing and Health Insurance Agreements

The College has verbal agreements with former employees to provide them various expenses including housing and/or living allowances of approximately \$300 to \$670 per month, and/or health insurance premiums. Expenditures paid by the College for the years ended April 30, 2019 and 2018 were \$14,666 and \$14,811, respectively.

10 - LEASES

The College equipment under various lease agreements. These leases are classified as either capital or operating in the financial statements. Total rent and related expense was \$25,606 and \$37,577 for the years ended April 30, 2019 and 2018, respectively.

Property and equipment includes the following acquired under capital lease agreements:

	2019
Machinery and equipment	\$ 38,010
Less: Accumulated depreciation	(5,068)
	\$ 32,942

Future minimum payments under the capital lease are as follows:

2020	\$ 10,750
2021	10,750
2022	10,750
2023	3,582
Total minimum lease payments	35,832
Less: Amount representing interest	(3,150)
	\$ 32,682

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - LEASES (Continued)

Operating lease

Future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year are as follows:

2020	\$ 9,924
2021	9,924
2022	9,924
2023	9,924
2024	9,924
Thereafter	<u>1,654</u>
Total	<u>\$ 51,274</u>

11 - NET ASSETS WITH DONOR RESTRICTIONS

At April 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Purpose restrictions, available for spending:		
Scholarships	\$ 164,803	\$ 102,863
Capital improvements	21,409	1,320
Other	<u>136,622</u>	<u>107,307</u>
Total purpose restricted net assets	322,834	211,490
Endowment funds, which must be appropriated by the Board of trustees before use:		
Scholarships (original gifts of \$400,374 in 2019 and \$394,989 in 2018)	<u>608,608</u>	<u>592,788</u>
Total net assets with donor restrictions	<u>\$ 931,442</u>	<u>\$ 804,278</u>

During 2019 and 2018, amounts were paid and released from donor restrictions for the following purposes:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 118,140	\$ 130,942
Capital improvements	38	5,524
Pickard property escrow	-	1,321
Other	<u>53,381</u>	<u>84,834</u>
	<u>\$ 171,559</u>	<u>\$ 222,621</u>

12 - PENSION PLAN

The College has a 403(b) defined contribution plan which covers substantially all employees. The College will contribute an amount equal to three percent of each eligible employees' annual salary. Contribution expense to the plan was approximately \$29,840 and \$32,817 in 2019 and 2018, respectively.

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

13 - FAIR VALUE MEASUREMENTS

The College reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the College measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the College is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the College's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of endowment and long-term investments.

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the year ended April 30, 2019 or 2018.

Money market funds: Valued at the closing price reported in the market in which the individual securities are traded. Fair value hierarchy for each is based on the level of active trading within the respective markets for each asset or liability.

Mutual funds - equity based: Valued at the closing price reported on the active market in which the individual securities are traded. These funds held by the College are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the College are deemed to be actively traded.

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

13 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The College's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at April 30, 2019 as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 204,176	\$ -	\$ -	\$ 204,176
Mutual funds - equity based	354,432	-	-	354,432
	\$ 558,608	\$ -	\$ -	\$ 558,608

The College's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at April 30, 2018 follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 204,597	\$ -	\$ -	\$ 204,597
Mutual funds - equity based	338,191	-	-	338,191
	\$ 542,788	\$ -	\$ -	\$ 542,788

There were no significant transfers between the levels during the year. The College's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

The College does not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of financial position.

14 - CONCENTRATIONS OF RISK

The College's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the College's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

15 - RELATED PARTY TRANSACTIONS

During the year ended April 30, 2019 and 2018, the College received contributions of \$2,580,000 and \$550,000, respectively, from a member of the Board of Trustees. This amount represents 83% and 51% of the College's contributions received during each respective year.

NORTHPOINT BIBLE COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

16 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information is as follows:

	<u>2019</u>	<u>2018</u>
Cash paid during the year for interest	\$ 18,080	\$ 19,462

The College's accounts payable at April 30, 2019 and 2018 includes property, plant and equipment purchases totaling \$10,956 and \$214,408, respectively.

During the year ended April 30, 2019, the College executed a capital lease for equipment with a value of \$38,010.

17 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 10, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

SUPPLEMENTAL SCHEDULE
PURSUANT TO THE UNIFORM GUIDANCE

NORTHPOINT BIBLE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED APRIL 30, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Education:				
Student Financial Assistance Cluster				
Federal Supplemental Education Opportunity Grant	84.007	N/A	N/A	\$ 16,877
Federal Work Study Program	84.033	N/A	N/A	14,843
Federal Pell Grant Program	84.063	N/A	N/A	795,138
Federal Direct Student Loans	84.268	N/A	N/A	<u>1,498,015</u>
Total expenditures of federal awards				<u>\$ 2,324,873</u>

See accompanying independent auditor's report and notes to schedule.

NORTHPOINT BIBLE COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR YEAR ENDED APRIL 30, 2019

1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Northpoint Bible College (the "College") under programs of the Federal government for the year ended April 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or a limited as to reimbursement.

Major program determination

The College considers programs with expenditures that exceed \$750,000 to be Type A programs. Type A programs with expenditures that, in the aggregate, encompass at least twenty-five percent of total federal awards are designated as major programs. Smaller programs are designated as Type B programs. Type A programs assessed as "low risk" that have been audited as a major program within the last two years with no audit findings are not designated as major programs, provided the College has Type B programs that have federal expenditures exceeding twenty percent of total expenditures. Accordingly, certain Type B programs may be identified as major programs.

3 - FEDERAL STUDENT LOAN PROGRAMS

Federally-guaranteed loans issued to students of the College during the year ended April 30, 2019 are summarized as follows:

	<u>Disbursements for the year ended April 30, 2019</u>
CFDA Number 84.268	
Federal Direct Student Loans	\$ 1,498,015

The College is only responsible for the performance of certain administrative duties with respect to federally-guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in the College's general purpose financial statements. It is not practical to determine the balance of loans outstanding to students and former students of the College as of April 30, 2019.

4 - ADMINISTRATIVE COST ALLOWANCES

The Student Financial Aid Administrative Cost Allowances for the year ended April 30, 2019 are as follows:

Pell	\$ 895
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OTHER REPORTS
PURSUANT TO THE UNIFORM GUIDANCE

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

To the Board of Trustees
Northpoint Bible College

We 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 financial statements of Northpoint Bible College (the "College"), which comprise the statement of financial position as of April 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2020.

Internal Control over Financial Reporting

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

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 College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questions Costs* as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questions Costs* as item 2019-001.

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

(Continued)

Northpoint Bible College's Response to Finding

Northpoint Bible College's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ballus Lynch, LLP

Worcester, Massachusetts
January 10, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Northpoint Bible College

Report on Compliance for Each Major Federal Program

We have audited Northpoint Bible College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended April 30, 2019. The College's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

Northpoint Bible College's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

(Continued)

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, described in the accompanying *Schedule of Findings and Questioned Costs* as item 2019-001, that we consider to be a material weakness.

Northpoint Bible College's response to the internal control over compliance finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ballus Lynch, LLP

Worcester, Massachusetts
January 10, 2020

NORTHPOINT BIBLE COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED APRIL 30, 2019

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	X	Yes	No	
Significant deficiency(ies) identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?	X	Yes	No	

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	X	Yes	No	
Significant deficiency(ies) identified?		Yes	X	None Reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	X	Yes	No	
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Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.007 84.033 84.063 84.268	Student Financial Assistance Cluster: Federal Supplemental Education Opportunity Grant Federal Work Study Program Federal Pell Grant Program Federal Direct Student Loans
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Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as low-risk auditee?	Yes	X	No	
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NORTHPOINT BIBLE COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED APRIL 30, 2019

(Continued)

II. FINANCIAL STATEMENT FINDINGS

A. Internal Control Findings

Finding 2019-001

Over the past few years, we have noted a period of ongoing transition of certain individuals within the College's finance department. This period has resulted in a lack of proper financial oversight by the College's high-level management and Board of Trustees. Further, this transition appears to have resulted in multiple instances where the College's internal records are not being reconciled regularly. During our audit as of and for the year ended April 30, 2019, we noted this trend has continued and included the following:

- Net assets per the College's internal records did not properly roll into the year ended April 30, 2019. This was attributed to a transition in the College's general ledger software which was not reconciled when the original transition occurred.
- The accounts receivable subsidiary ledger was not regularly reconciled to the general ledger. In addition, a lack of regular monitoring of student fees receivable resulted in an increase in the allowance for doubtful accounts of approximately \$463,000.
- The accounts payable subsidiary ledger was not regularly reconciled to the general ledger, including the reversal of adjustments posted during the 2018 audit and adjustments to include unrecorded liabilities at April 30, 2019.
- Other assets and liabilities, including prepaid expenses and accrued liabilities were not regularly reconciled to the general ledger.

This failure to regularly reconcile the College's internal financial records resulted in a series of material misstatements requiring adjustments during the audit process. Timely analysis and adjustment of accounts is a necessary component of internal control and will help to ensure the accuracy of the College's financial information. In addition, reporting requirements under Uniform Guidance require accounting records support all internal reporting and the Schedule of Expenditures of Federal Awards. It is our opinion that failure to monitor and reconcile the College's internal records, on a regular basis, prevents the College from meeting this requirement.

B. Compliance Findings

See finding 2019-001 above.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control Over Compliance

See finding 2019-001 above.

B. Compliance Findings

See finding 2019-001 above.

NORTHPOINT BIBLE COLLEGE

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED APRIL 30, 2019

Finding 2019-001 - Internal Control Finding:

Over the past few years, we have noted a period of ongoing transition of certain individuals within the College's finance department. This period has resulted in a lack of proper oversight by the College's high-level management and Board of Trustees. Further, this transition appears to have resulted in multiple instances where the College's internal records are not being reconciled regularly. During our audit as of and for the year ended April 30, 2019, we noted this trend has continued and included the following:

- Net assets per the College's internal records did not properly roll into the year ended April 30, 2019. This was attributed to a transition in the College's general ledger software which was not reconciled when the original transition occurred.
- The accounts receivable subsidiary ledger was not regularly reconciled to the general ledger. In addition, a lack of regular monitoring of student fees receivable resulted in an increase in the allowance for doubtful accounts of approximately \$463,000.
- The accounts payable subsidiary ledger was not regularly reconciled to the general ledger, including the reversal of adjustments posted during the 2018 audit and adjustments to include unrecorded liabilities at April 30, 2019.
- Other assets and liabilities, including prepaid expenses and accrued liabilities were not regularly reconciled to the general ledger.

This failure to regularly reconcile the College's internal financial records resulted in a series of material misstatements requiring adjustments during the audit process. Timely analysis and adjustment of accounts is a necessary component of internal control and will help to ensure the accuracy of the College's financial information. In addition, reporting requirements under Uniform Guidance require accounting records support all internal reporting and the Schedule of Expenditures of Federal Awards. It is our opinion that failure to reconcile the College's internal records, on a regular basis, prevents the College from meeting this requirement.

Corrective Actions Taken or Planned:

During year ended April 30, 2019, the College's Chief Financial Officer retired. In addition, this individual's designated replacement, as well as the College's Accounts Payable Clerk each were absent for significant periods of time during the year. This retirement and absences necessitated restructuring and the use of outside consultants and services. In addition, the following changes have been implemented to address the weaknesses:

- With the help of the Association of Biblical Higher Education, a search is being conducted to find a new Chief Financial Officer. In the interim, the College is looking to engage a qualified consultant to oversee the department, regular closing process, and monthly financial reporting.
- An internal dashboard is being developed to give the Board of Trustees access to timely financial updates and provide additional financial oversight at the College.
- As part of its weekly agenda, the President and other Administrators are monitoring the progress in the Financial Department
- Management now requires that all accounts be closed at the end of each month and reconciled to the College's general ledger within one week.
- Training (workshops, online sessions, and onsite instruction) has been provided for employees involved in financial aid, student billing, accounts receivable, accounts payable, and payroll.
- A new payroll and personnel management software and service has been adopted. This new company is providing onsite instruction and guidance during the initial implementation process.

NORTHPOINT BIBLE COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED APRIL 30, 2019

Finding 2018-1 - Internal Control Finding

Over the past few years, we have noted a period of ongoing transition of certain individuals within the College's finance department. This transition appears to have resulted in multiple instances where the College's internal records are not being reconciled regularly. During our audit as of and for the year ended April 30, 2018, supporting records for multiple bank accounts, student financial aid received, accounts receivable and payable, and accrued vacation were not reconciled to the general ledger. This failure to regularly reconcile the College's internal financial records resulted in a series of material misstatements requiring adjustments during the audit process. Timely analysis and adjustment of accounts is a necessary component of internal control and will help to ensure the accuracy of the College's financial information. In addition, reporting requirements under Uniform Guidance require accounting records support all internal reporting and the Schedule of Expenditures of Federal Awards. It is our opinion that failure to reconcile the College's internal records, on a regular basis, prevents the College from meeting this requirement.

Northpoint Bible College's Response

The College recognizes the need to improve the reconciling of internal financial records and has implemented improvements in software and personnel in order to rectify this issue. In response, the College's finance department has added new personnel with added skill level, including a new Student Billing Manager as of August 1, 2018. These newly added employees have reconciled the College's cash accounts through September 2018 and expect to stay timely with future reconciliations. In addition, other internal financial records have been reconciled through August 2018 with continued progress in this area. This process will continue to be monitored by the President and Chief Financial Officer of the College.