

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.
(A Nonprofit Organization)
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Seminario Evangélico de Puerto Rico, Inc.
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying financial statements of Seminario Evangélico de Puerto Rico, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 purposes 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.

INDEPENDENT AUDITORS' REPORT
CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seminario Evangélico de Puerto Rico, Inc. (a nonprofit organization) as of December 31, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

March 16, 2016
San Juan, Puerto Rico

Diaz & Candelaria, PSC

License No. 34 Expires December 1, 2016
The C.P.A. Stamp No. O2727895 of the P.R.
State Society of Certified Public Accountants
was affixed to the record copy of this report.



SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

ASSETS

Current Assets

Cash	\$ 308,228
Accounts receivable - net of allowance for doubtful accounts	128,241
Accounts receivable - other	7,235
Total Current Assets	<u>443,704</u>

Investments	982,488
Other assets	28,300
Property and equipment, net of accumulated depreciation (Note 7)	1,964,708

TOTAL ASSETS **\$ 3,419,200**

LIABILITIES AND NET ASSETS

LIABILITIES:

Current Liabilities:

Accounts Payable	66,043
Expenses and accrued payroll contributions (Note 8)	18,164
Deferred income	126,340
Long-term debt - current portion (Note 9)	28,627
Total Current Liabilities	<u>239,174</u>

Long-term debt (Note 9)	1,001,392
Rent deposits	10,610

TOTAL LIABILITIES **1,251,176**

NET ASSETS:

Unrestricted	924,425
Temporarily restricted	-
Permanently restricted	1,243,599

TOTAL NET ASSETS **2,168,024**

TOTAL LIABILITIES AND NET ASSETS **\$ 3,419,200**

The Accounting Notes are an Integral Part of These Financial Statements.

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Tuition and fees	660,776	-		\$ 660,776
Donations and private grants	193,184	470	37,677	231,331
Investments Income	18,313	-	23,714	42,027
Other income	35,938	-	-	35,938
Net assets released from restrictions-Temporarily	470	(470)	-	-
Net assets released from restrictions-Permanently	30,076	-	(30,076)	-
TOTAL REVENUE AND OTHER SUPPORT	938,757	-	31,315	970,072
OPERATING EXPENSES				
Faculty and registry	396,721	-	-	396,721
Library	99,226	-	-	99,226
General and administrative expenses	212,823	-	-	212,823
Building maintenance	175,373	-	-	175,373
Utilities	82,783	-	-	82,783
Special projects	24,648	-	-	24,648
Presidency and development	128,762	-	-	128,762
TOTAL OPERATING EXPENSES	1,120,336	-	-	1,120,336
CHANGES IN NET ASSETS BEFORE OTHER INCOME AND EXPENSES	(181,579)	-	31,315	(150,264)
OTHER INCOME (EXPENSES)				
Dormitory, housing and office rent	171,571	-	-	171,571
Interests	(48,319)	-	-	(48,319)
Realized gain (loss) on investments	1,336	-	1,422	2,758
Investment's management fees	-	-	(7,270)	(7,270)
Unrealized gain (loss) on investments	450	-	(41,663)	(41,213)
TOTAL OTHER INCOME (EXPENSES)	125,038	-	(47,511)	77,527
CHANGES IN NET ASSETS	(56,541)	-	(16,196)	(72,737)
NET ASSETS, AT BEGINNING OF YEAR	980,966	-	1,259,795	2,240,761
NET ASSETS, AT END OF YEAR	\$ 924,425	\$ -	\$ 1,243,599	\$ 2,168,024

The Accounting Notes are an Integral Part of These Financial Statements.

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	\$ (72,737)
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided (used) in Operating Activities:	
Depreciation	64,635
Unrealized (Gain) Loss	41,213
Decrease (Increase) in:	
-Account Receivable	31,046
-Account Receivable-other	1,646
Increase (Decrease) in:	
-Accounts Payable	8,505
-Deferred income	(110)
-Expenses and accrued payroll contributions	(1,884)
-Rent deposits	(7,040)
Net Cash Provided (Used) in Operating Activities:	<u>65,275</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Property and Equipment	(6,180)
Net (increase) decrease in investments cost	8,752
Net (Increase) decrease in other assets	3,892
Net Cash Provided (Used) in Investing Activities	<u>6,464</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal Payments to of Long Term Debt	(27,338)
Net Cash Provided (Used) in Financing Activities	<u>(27,338)</u>

Net Increase (Decrease) in Cash	44,400
Cash at Beginning of Year	263,828
Cash at End of Year	<u><u>\$ 308,228</u></u>

The Accounting Notes are an Integral Part of These Financial Statements.

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

NOTE 1 - ORGANIZATION:

The Seminario Evangélico de Puerto Rico, Inc. (the Seminary) is a nonprofit ecumenical theological institution, founded in September 1919 and incorporated on July 13, 1981 under the laws of the Commonwealth of Puerto Rico. The Seminary is accredited by the Association of Theological Schools in the U.S. and Canada ("ATS") and the Middle States Association ("MSA"), also it has the license of the Council of Education of Puerto Rico for the Master of Arts and Religion.

The Seminary has the support of the following Christian denominations, both of their United States mission boards, and its Puerto Rico churches: Puerto Rico Baptist Churches/The American Baptist Churches, Puerto Rico Christian Church (Disciples of Christ)/Christian Church (Disciples of Christ-USA), Boriquén Presbyterian Synod of Puerto Rico/Presbyterian Church (USA), Puerto Rico Methodist Church/The United Methodist Church, Puerto Rico United Evangelical Church/United Church of Christ in USA - Canada and, through a cooperative agreement, the Caribbean Synod of the Evangelical Lutheran Church/Evangelical Lutheran Church of America.

Among the academic offerings of the Seminary, it include: Master of Divinity, Master of Arts and Religion, Doctorate of Ministry with specialization in Pastoral Care of Families and a graduate program in Christian Education and Missions.

The Seminary's main purpose is the integral formation of pastors and lay leaders, both men and women, to serve the ministry and mission from God to the people of Puerto Rico, the Caribbean, Latin America and the United States of America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Accounting

The Seminary prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting comprises the application of the accrual method in which income and gains are recognized when earned and the expenses and losses are recognized when incurred.

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continuation)

b. Financial Statements Presentation

The financial Accounting Standards Board establishes guidelines for preparing financial statements by non-profit organizations, and requires the organization to prepare a statement of financial position, a statement of activities and change in net assets and a statement of cash flows. It also requires that net assets, and revenues, expenses, gains and losses, be classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Seminary and changes therein are classified as follows:

1. Unrestricted - are amounts that are regularly available at the discretion of the Board of Directors for use in operations and those resources invested in equipment.
2. Temporarily restricted - net assets temporarily represents restricted contributions made by external donors for a specific use or for a future period. When the stipulated time restriction ends or when the purpose of the constraint is satisfied, temporarily restricted assets are reclassified as unrestricted active and is presented in the statement of activities and changes in net assets as net assets released from restrictions.
3. Permanently restricted - these are net assets subject to donor imposed stipulations that must be maintained permanently by the Seminary. Generally, the donor of these assets permit the Seminary to use all or part of the income earned or related investment for general or specific purposes. Permanently restricted net assets include funds received by the Foundation "Presbyterian Church (USA) Foundation" on behalf of the Seminary. Those funds are invested in securities that are managed by the Foundation; they are presented at market value at the date of the financial statements.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continuation)

c. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful time of the assets, which is between 5 and 50 years. The equipment under capital lease is amortized for 5 years or the lease term, whichever is less.

Cost of repairs and maintenance are charged directly to expenses and improvement costs are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to income.

d. Donated property and improvements:

Donated property and improvements representing contributions presented in the accompanying financial statements at their estimated fair values at the time they are received.

e. Deferred Revenue:

The Seminary recognizes revenue from tuition and teaching in the period in which instruction is offered. For this reason, enrollment and teaching charged belonging to the next academic term is deferred until the instruction begins.

f. Contributions:

According to the Financial Accounting Standard Boards, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and / or nature of any restrictions established by the donor.

The contribution that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the accounting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets restricted temporary or permanent, depending on the nature of the restriction. When the restriction expires, that is, when the time stipulated for the restriction or fulfills the purpose of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and is presented in the Statement of Activities as net assets released restrictions.

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continuation)

g. Investments:

Financial statements presentation follows the provisions of the Financial Accounting Standards Board, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Under those standards, investments in marketable securities with readily determinable fair values and all investments in debt and equity securities are reported at their fair values in the statement of financial position and any realized or unrealized gain or loss should be reported in the statement of activities and changes in net assets. The market value of the investments is determined using the quoted market value at the date of the financial statements.

h. Income tax:

The Seminary, is exempt from the imposition and payment of income tax under Section 1101 of the Internal Revenue Code of Puerto Rico, as amended.

i. Pension Plans:

As part of the compensation plan for its employees, the Seminary makes payments to different pension plan systems. During 2015, payments amounted to \$42,994.

j. Concentration of credit risk:

The Seminary maintains its cash balances in financial institutions whose deposits are insured by the "Federal Deposit Insurance Corporation (FDIC)" up to \$250,000. The balance at some times during the year may exceed the federally insurance limit.

Investments in securities primarily represent mutual funds and securities of federal agencies, so that management considers that the concentration of risk is limited.

The Seminary has recorded an allowance for doubtful accounts for expected losses on its accounts receivable, based on historical trends and other information.

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continuation)

k. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the accounting period. Actual results may differ from those estimates.

l. Impairment of long-lived assets:

The current value of long-term fixed assets is evaluated periodically. At the time that the current value is deemed to undermine the market value of assets, a loss is recognized in the books in the current period. The Seminary considered that there is no significant impairment of its long-lived assets at December 31, 2015.

NOTE 3 - CASH:

The balance of cash in the financial statements presented for the year ended December 31, 2015 is as follows:

DESCRIPTION	
Banco Popular de PR	\$ 18,265
Banco Popular de PR Restricted Funds	19,292
Banco Popular de PR Becas	189
Cooperativa Metodista	832
SEPR Endowment	5,737
Popular Security "Money Market"	13,706
Mission Investment Fund "Money Market"	198,791
Banco Popular de PR CD	51,041
Petty Cash	<u>375</u>
Total	<u>\$ 308,228</u>

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 - ACCOUNTS RECEIVABLE:

Accounts receivable for the year ended December 31, 2015, include the following:

<u>DESCRIPTION</u>	
Tuition and education	\$ 200,860
Less provision for doubtful accounts	<u>(72,619)</u>
Accounts receivable, net	<u>\$ 128,241</u>

The allowance for doubtful accounts is based on the Seminary's experience with uncollectible accounts in prior years.

NOTE 5 - ACCOUNTS RECEIVABLES – OTHER

At December 31, 2015, the seminar had the following receivables:

<u>DESCRIPTION</u>	
Rental homes and apartments	\$ 8,534
Less provision for doubtful accounts	<u>(1,299)</u>
Total	<u>\$ 7,235</u>

NOTE 6 – INVESTMENTS:

Investments as of December 31, 2015 are carried at the quoted market values of the securities as of that date. Cost and unrealized gains or losses for the year then ended are as follows:

<u>Investment Bank</u>	<u>Cost</u>	<u>Gain (Loss) accumulated Unrealized</u>	<u>Market</u>
Popular Security	\$ 325,066	\$ 14,849	\$ 339,915
Presbyterian Foundation	649,520	(7,272)	642,248
Other	<u>325</u>	<u>-</u>	<u>325</u>
Total	<u>\$ 974,911</u>	<u>\$ 7,577</u>	<u>\$ 982,488</u>

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7 – PROPERTY AND EQUIPMENT:

The following is a summary of the classifications of property and equipment and the total accumulated depreciation at December 31, 2015:

DESCRIPTION	
Buildings and improvements	\$ 2,979,017
Road and parking	24,000
Equipment	283,086
Library books	<u>601,137</u>
	3,887,240
Accumulated depreciation	<u>(1,943,150)</u>
	1,944,090
Land lots at Florida, USA	<u>20,618</u>
Total	<u>\$ 1,964,708</u>

NOTE 8 – PAYROLL TAXES AND ACCRUED EXPENSES:

At December 31, 2015, expenses and payroll contributions consist of the following:

Accrued vacation	\$ 10,788
Asume	890
Withholding social security and medicare	4,635
Withholding income tax	1,803
Other insurances	<u>48</u>
	<u>\$ 18,164</u>

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 - LONG-TERM DEBT:

Mortgage Loan secured with real property with an original principal of \$1,120,324. This loan will be payable in installments of \$6,305 beginning on October 1, 2012 including interests of 4.625% (the balance will be renegotiated every five years at the rates prevailing at the time of the renegotiation)

Principal maturities subsequent to December 31, 2015 are as follows:

2016	\$	28,627
2017		29,984
2018		31,400
2019		31,583
Subsequent		<u>908,425</u>
Total		1,030,019
Current portion		<u>(28,627)</u>
Long-term debt	\$	<u><u>1,001,392</u></u>

NOTE 10 - SUPPLEMENTARY DISCLOSURE OF CASH FLOWS INFORMATION:

Interest paid during the year ended December 31, 2015 amounted to \$ 48,319.

Supplementary information of non-cash investing and financing activities:

Unrealized net loss on investments for the year ended December 31, 2015 was \$41,213.

NOTE 11 - SUBSEQUENT EVENTS:

Subsequent events were evaluated until March 16, 2016, which is the date the financial statements were available to be issued. No events were identified that required adjustment or disclosure in the financial statements.