

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

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2014**

**SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

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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, 2014, 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 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, 2014 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 24, 2015  
San Juan, Puerto Rico

*Díaz & Candelaria, PSC*



License No. 34 Expires December 1, 2016  
The C.P.A. Stamp No. O2711628 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, 2014**

**ASSETS**

**Current Assets**

Cash (Note 3)	\$	263,828
Accounts receivable - net of allowance for doubtful accounts (Note 4)		159,287
Accounts receivable - other (Note 5)		8,881

Total Current Assets 431,996

Investments (Note 6)		1,032,453
Other assets		32,192
Property and equipment, net of accumulated depreciation (Note 7)		2,023,163

**Total Assets** **\$ 3,519,804**

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

**Current Liabilities:**

Accounts Payable		57,538
Accrued interest payable		-
Expenses and accrued payroll contributions (Note 8)		20,048
Deferred income		126,450
Long-term debt - current portion (Note 9)		27,340

**Total Liabilities and Net Assets** 231,376

Long-term debt (Note 9)		1,030,017
Rent deposits		17,650

**TOTAL LIABILITIES** 1,279,043

**NET ASSETS:**

Unrestricted		980,966
Temporarily restricted		-
Permanently restricted		1,259,795

**TOTAL NET ASSETS** 2,240,761

**TOTAL LIABILITIES AND NET ASSETS** **\$ 3,519,804**

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, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Tuition and fees	671,247	-	-	\$ 671,247
Donations and private grants	229,791	36,153	-	265,944
Investments Income	19,228	-	24,469	43,697
Other income	27,935	-	-	27,935
Net assets released from restrictions	94,103	(40,521)	(53,582)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>1,042,304</b>	<b>(4,368)</b>	<b>(29,113)</b>	<b>1,008,823</b>
<b>OPERATING EXPENSES</b>				
Faculty and registry	356,071	-	-	356,071
Library	99,278	-	-	99,278
General and administrative expenses	231,894	-	-	231,894
Building maintenance	180,962	-	-	180,962
Utilities	94,085	-	-	94,085
Special projects	36,153	-	-	36,153
Presidency and development	126,944	-	-	126,944
<b>TOTAL OPERATING EXPENSES</b>	<b>1,125,387</b>	<b>-</b>	<b>-</b>	<b>1,125,387</b>
<b>CHANGES IN NET ASSETS BEFORE OTHER INCOME AND EXPENSES</b>	<b>(83,083)</b>	<b>(4,368)</b>	<b>(29,113)</b>	<b>(116,564)</b>
<b>OTHER INCOME (EXPENSES)</b>				
Dormitory, housing and office rent	159,926	-	-	159,926
Interests	(46,091)	-	-	(46,091)
Realized gain (loss) on investments	-	-	4,493	4,493
Investment's management fees	-	-	1,046	1,046
Unrealized gain (loss) on investments	(6,088)	-	(16,259)	(22,347)
<b>TOTAL OTHER INCOME (EXPENSES)</b>	<b>107,747</b>	<b>-</b>	<b>(10,720)</b>	<b>97,027</b>
<b>CHANGES IN NET ASSETS</b>	<b>24,664</b>	<b>(4,368)</b>	<b>(39,833)</b>	<b>(19,537)</b>
<b>NET ASSETS, AT BEGINNING OF YEAR, RESTATED</b>	<b>956,302</b>	<b>4,368</b>	<b>1,299,628</b>	<b>2,260,298</b>
<b>NET ASSETS, AT END OF YEAR</b>	<b>\$ 980,966</b>	<b>\$ -</b>	<b>\$ 1,259,795</b>	<b>\$ 2,240,761</b>

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, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in Net Assets	\$ (19,537)
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided (used) in Operating Activities:	
Depreciation	64,830
Unrealized (Gain) Loss	22,347
Prior Period Adjustments	-
Decrease (Increase) in:	
-Account Receivable	7,364
-Account Receivable-other	(6,977)
Increase (Decrease) in:	
-Accounts Payable	(3,839)
-Deferred income	(4,454)
-Expenses and accrued payroll contributions	(13)
-Accrued Interest Payable	-
-Rent deposits	4,140
Net Cash Provided (Used) in Operating Activities:	<u>63,861</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Property and Equipment	(37,586)
Net (increase) decrease in investments	23,572
Net (Increase) decrease in other assets	(2,345)
Net Cash Provided (Used) in Investing Activities	<u>(16,359)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Principal Payments to of Long Term Debt	(26,107)
Net Cash Provided (Used) in Financing Activities	<u>(26,107)</u>

<b>Net Increase (Decrease) in Cash</b>	21,395
<b>Cash at Beginning of Year</b>	242,433
<b>Cash at End of Year</b>	<u><u>\$ 263,828</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, 2014**

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#### **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, 2014

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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, 2014

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**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, 2014

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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 2014, payments amounted to \$48,288.

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, 2014

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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, 2014.

NOTE 3 - CASH:

The balance of cash in the financial statements presented for the year ended December 31, 2014 is \$ 263,828. This balance is as follows:

DESCRIPTION	
Banco Popular de PR Restricted Funds	\$ 19,987
Cooperativa Metodista	832
SEPR Endowment	8,735
Popular Sercurity "Money Market"	36,838
Mission Investment Fund "Money Market"	197,061
Petty Cash	<u>375</u>
Total	<u>\$ 263,828</u>

**SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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NOTE 4 - ACCOUNTS RECEIVABLE:

Accounts receivable for the year ended December 31, 2014, include the following:

<u>DESCRIPTION</u>	
Tuition and education	\$ 222,322
Less provision for doubtful accounts	<u>(63,035)</u>
Accounts receivable, net	<u>\$ 159,287</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, 2014, the seminar had the following receivables:

<u>DESCRIPTION</u>	
Rental homes and apartments	\$ 9,815
Less provision for doubtful accounts	<u>(934)</u>
Total	<u>\$ 8,881</u>

**SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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NOTE 6 – INVESTMENTS:

Investments as of December 31, 2014 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:

Investment Bank	Cost	Gain (Loss) accumulated Unrealized	Market
Popular Security	\$ 359,285	\$ 14,399	\$ 373,684
Presbyterian Foundation	623,564	34,880	658,444
Other	<u>325</u>	<u>-</u>	<u>325</u>
Total	<u>\$ 983,174</u>	<u>\$ 49,279</u>	<u>\$ 1,032,453</u>

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, 2014:

DESCRIPTION	
Buildings and improvements	\$ 2,978,081
Road and parking	21,000
Equipment (including equipment under Capital leases)	280,842
Library books	<u>601,137</u>
	3,881,060
Accumulated depreciation	<u>(1,878,515)</u>
	2,002,545
Land lots at Florida, USA	<u>20,618</u>
Total	<u>\$ 2,023,163</u>

**SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**NOTE 8 – PAYROLL TAXES AND ACCRUED EXPENSES:**

At December 31, 2014, expenses and payroll contributions consist of the following:

Accrued vacation	\$	13,704
CFSE		4,111
Withholding income tax		2,082
Other insurances		<u>151</u>
	\$	<u>20,048</u>

**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, 2014 are as follows:

2015	\$	27,340
2016		28,627
2017		29,984
2018		31,400
Subsequent		<u>940,006</u>
Total		1,057,357
Current portion		<u>(27,340)</u>
Long-term debt	\$	<u>1,030,017</u>

**SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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NOTE 10 - SUPPLEMENTARY DISCLOSURE OF CASH FLOWS INFORMATION:

Interest paid during the year ended December 31, 2014 amounted to \$ 46,091.

Supplementary information of non-cash investing and financing activities:

Unrealized loss on investments for the year ended December 31, 2014 was \$22,347.

NOTE 11 - SUBSEQUENT EVENTS:

Subsequent events were evaluated until March 24, 2014, 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.