

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

FOR THE YEAR ENDED
DECEMBER 31, 2017

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

	Pag
INDEPENDENT AUDITOR'S REPORT	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6



PO Box 11044 | T • 787-706-4422
San Juan, PR 00922 | M • 787-486-3246
dfigueroa@dfarmaiz.com | F • 787-706-4422

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I 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, 2017, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

DAVID FIGUEROA ARMAIZ
Certified Public Accountant
1501 Américo Miranda Ave.
Calle 7 • Suite C
Caparra Terrace
San Juan PR 00921

An audit involves performing procedures to 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my 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, 2017 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.



September 21, 2018
San Juan, Puerto Rico

Stamp 2761167 was
affixed to the original



SEMINARIO EVANGELICO DE PUERTO RICO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current Assets	
Cash (Note 3)	\$ 10,392
Certificated of deposit	100,000
Accounts receivable - net of allowance for doubtful accounts	
Tuition (Note 4)	41,558
Rent and other (Note 4)	22,651
Prepaid expenses and deferred charges	45,768
Total current assets	220,369
Investments (Note 5)	1,105,666
Property and equipment, net of accumulated depreciation (Note 6)	1,986,246
Other	51,041
TOTAL ASSETS	\$ 3,363,322

LIABILITIES AND NET ASSETS

Current Liabilities	
Line of credit (Note 8)	\$ 65,750
Long-term debt - current portion (Note 7)	5,450
Accounts Payable	110,444
Accrued expenses and payroll withholdings (Note 9)	32,659
Deferred revenues (Note 10)	190,599
Total Current Liabilities	404,902
Long-term debt (Note 7)	969,940
Rent deposits	6,015
TOTAL LIABILITIES	1,380,857
Net Assets	
Unrestricted	636,491
Temporarily restricted	-
Permanently restricted	1,345,974
TOTAL NET ASSETS	1,982,465
TOTAL LIABILITIES AND NET ASSETS	\$ 3,363,322

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

SEMINARIO EVANGELICO DE PUERTO RICO, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Tuition and fees	\$ 598,657	\$ -	\$ -	\$ 598,657
Donations and private grants	233,416	26,095	91,955	351,466
Investments Income	13,097	-	25,487	38,584
Other income	11,567	-	-	11,567
Net assets released from restrictions-Temporarily	26,095	(26,095)	-	-
Net assets released from restrictions-Permanently	91,955	-	(91,955)	-
TOTAL REVENUE AND OTHER SUPPORT	<u>974,787</u>	<u>-</u>	<u>25,487</u>	<u>1,000,274</u>
OPERATING EXPENSES				
Faculty and registry	415,051	-	-	415,051
Library	97,831	-	-	97,831
General and administrative expenses	233,910	-	-	233,910
Building maintenance	166,947	-	-	166,947
Utilities	66,331	-	-	66,331
Special projects	96,482	-	-	96,482
Presidency and development	121,189	-	-	121,189
TOTAL OPERATING EXPENSES	<u>1,197,741</u>	<u>-</u>	<u>-</u>	<u>1,197,741</u>
CHANGES IN NET ASSETS BEFORE OTHER INCOME AND EXPENSES				
	<u>(222,954)</u>	<u>-</u>	<u>25,487</u>	<u>(197,467)</u>
OTHER INCOME (EXPENSES)				
Dormitory, housing and office rent	97,639	-	-	97,639
Interests	(42,805)	-	-	(42,805)
Realized gain (loss) or redemption on investments	(591)	-	25,274	24,683
Unrealized gain on investments	4,438	-	31,357	35,795
TOTAL OTHER INCOME (EXPENSES)	<u>58,681</u>	<u>-</u>	<u>56,631</u>	<u>115,312</u>
CHANGES IN NET ASSETS	<u>(164,273)</u>	<u>-</u>	<u>82,118</u>	<u>(82,155)</u>
NET ASSETS, AT BEGINNING OF YEAR	<u>800,764</u>	<u>-</u>	<u>1,263,856</u>	<u>2,064,620</u>
NET ASSETS, AT END OF YEAR	<u>\$ 636,491</u>	<u>\$ -</u>	<u>\$1,345,974</u>	<u>\$1,982,465</u>

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

SEMINARIO EVANGELICO DE PUERTO RICO, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ (82,155)
Adjustment to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	76,456
Net unrealized gain on investments	(35,794)
Bad debt expense	4,349
Decrease in:	
Accounts receivable	82,128
Prepaid expenses and deferred charges	56,503
Increase (decrease) in:	
Accounts payable	27,284
Accrued expenses payroll withholdings	16,313
Deferred revenues	(86,225)
Rent deposits	(3,760)
Net cash provided by operating activities:	55,099

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(109,722)
Purchase of certificate of deposit	(50,000)
Proceeds from investments	85,111
Net return on investments capitalized	(65,255)
Net cash provided by investing activities	(139,866)

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal Payments on long-term debt	(26,001)
Proceeds from line of credit	640,760
Payments on line of credit	(613,797)
Net cash provided by financing activities	962

Net Decrease in Cash	(83,805)
Cash at Beginning of Year	94,197
Cash at End of Year	\$ 10,392

SUPPLEMENTARY DISCLOSURE OF CASH FLOWS INFORMATION

Interest paid during the year ended December 31, 2017 amounted to \$42,805.

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

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1 – NATURE OF 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 the Caribbean Synod of Evangelical Lutheran Church/Evangelical Lutheran Church of America.

Among the academic offerings of the Seminary, it includes: Master of Divinity (M.Div.), Master of Arts and Religion (M.A.R.), Doctorate of Ministry (D.Min.) with specialization in Pastoral Care of Families and a certificate 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 accounting principles generally accepted in the United States of America (GAAP). 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.

(Continues)

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Financial Statements Presentation

The Financial Accounting Standards Board established guidelines for preparing financial statements y 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 there in 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 represent 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 permits 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 financial statements.

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

(Continues)

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, money market accounts and all highly liquid investments with original maturities of three months or less. Certain items, which meet the definition of cash equivalents but are part of a large pool of investments that are restricted or designated for long-term investment, are included in investments.

d. Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Receivables are stated net of estimated allowances for uncollectible accounts. The Seminary maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable based on type of receivables and expectations of repayment. In establishing the required allowance, management considers the Seminary's experience with uncollectible accounts in prior years.

e. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. In 2017, the Seminary changes the practice of capitalizing, at cost, all expenditures for property and equipment from \$250 to \$1,000. Depreciation is computed using the straight-line method over the estimated useful time of the assets, which is between 5 and 50 years.

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.

f. 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.

(Continues)

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Tuitions and fees

The Seminary recognizes revenue from tuition and teaching in the period in which instruction is offered. Courses sessions collected on the last months of a fiscal year and related to the next fiscal year are reclassified as deferred revenues on the financial statements.

h. Grants and contracts revenue

Revenue under grants, contracts and similar agreements is recognized as it is earned through expenditure in accordance with agreement. Funds received on agency transactions for student financial assistance (scholarships and loan) that are awarded directly to students are excluded from revenues and expenses. Similarly, expenses related to future activities are recorded as deferred charges until the fiscal year in which the corresponding activities are carried out.

i. Contributions

According to the Financial Accounting Standard Board, 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 restriction.

j. Pension Plan

As part of the compensation plan for its employees, the Seminary makes payments to different pension plan systems of the Christian denominations. During 2017, payments amounted to approximately \$60,000.

(Continues)

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. 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.

l. Income tax

The Seminary, is exempt from the imposition and payment of income tax under Section 1101.01(a)(2)(A)(iv) of the Internal Revenue Code of Puerto Rico of 2011 (Code), as amended. Contributions to the Seminary are tax deductible within the limitation prescribed by the Code.

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon examination. The most significant tax positions of the Seminary are its assertion that it is exempt from income taxes and its determination about whether amounts are subject to unrelated business tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

The Seminary’s income tax return is subject to review and examination by the Puerto Rico Department of Treasury. The income tax return is subject to examination generally for four years after they are filed.

m. 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 sometimes during the year may exceed the federally insurance limit. As of December 31, 2017, there was no excess over \$ 250,000.

(Continues)

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Seminary maintains other deposits at the Cooperativa Metodista, which is also insured up to \$ 250,000 by the Puerto Rico Cooperatives Supervision and Insurance Corporation (COSSEC, as acronym Spanish). As of December 31, 2017, there was no excess in the Cooperative over the limits insured by COSSEC. Deposits in the Mission Investment Fund are not insured.

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. As result, that statement of financial position has an insignificant risk of loss, after considering the allowance for doubtful accounts.

n. 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.

o. 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 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, 2017.

p. Date of management of subsequent events review

Subsequent events were evaluated until September 21, 2018, 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.

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 3 – CASH

The balance of cash in the financial statements presented as of December 31, 2017 is as follows:

Operating account (overdraft)	\$ (60,258)
Checking account – Restricted funds	55,491
Saving account	832
Checking account – Endowment fund	7,097
Checking account – Student loans	6,855
Petty Cash	<u>375</u>
Total	<u>\$ 10,392</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2017, include the following:

	<u>Tuition</u>	<u>Other</u>
Tuition, education and other	\$ 128,256	\$ 27,135
Provision for doubtful accounts	<u>(86,698)</u>	<u>(4,484)</u>
Accounts receivable, net	<u>\$ 41,558</u>	<u>\$ 22,651</u>

NOTE 5 – INVESTMENTS

Investments are presented at fair value in accordance with GAAP. Cash and short-term investments are recorded at cost, which approximates fair value, and include cash in bank accounts, institutional money market funds, and other temporary investments held for working capital purposes with maturities of three months or less. Cash and short-term investments do not include cash balances held as collateral by the Seminary. Cash and short-term investment balances designated for investment purposes are included in the “Investment portfolio, at fair value” in the Statement of Financial Position.

(Continues)

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 5 – INVESTMENTS (CONTINUED)

The majority of the Seminary's investments are managed by Presbyterian Foundation, a pooled fund that consists primarily of Presbyterian Endowment Fund and other securities. Certain other investments are managed separately. These other investments consist primarily of cash, short-term investments, and asset backed securities (Federal Home Loan Mortgage Corporation).

The Seminary's investment holdings as of December 31, 2017 are summarized in the following table:

	<u>Cost</u>	<u>Market</u>
Money Market	\$ 49,629	\$ 49,629
Presbyterian Endowment Fund	569,381	608,834
Bonds Funds	13,827	14,058
US Equity Funds	14,658	16,382
Asset Backed Securities	205,040	213,958
Mission Investment Fund E.L.C.A	202,480	202,480
American Electricity P.A.	325	325
	<u>\$1,055,340</u>	<u>\$1,105,666</u>

The investments are allocated to net assets, as follows:

Unrestricted	\$ 325
Seminary's Endowment	51,863
Permanently restricted	1,053,478
	<u>\$ 1,105,666</u>

FAIR VALUE MEASUREMENT:

When available, the Seminary measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used when active markets for the investments are not available. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

(Continues)

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 5 – INVESTMENTS (CONTINUED)

Fair value of assets measured on a recurring basis at December 31, 2017 are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs Reflecting the Reporting Assumptions (Level 3)</u>
Money Market	\$ 49,629	\$ 49,629		
Presbyterian Endowment Fund	608,834	608,834		
Bonds Funds	14,058	14,058		
US Equity Funds	16,382	16,382		
Asset Backed Securities	213,958	213,958		
Mission Investment Fund E.L.C.A	202,480		202,480	
American Electricity P.A.	325	-	-	325
	<u>\$ 1,105,666</u>	<u>\$ 902,861</u>	<u>\$ 202,480</u>	<u>\$ 325</u>

NOTE 6 – PROPERTY AND EQUIPMENT

The following is a summary of the classifications of property and equipment and the total accumulated depreciation as of December 31, 2017:

Land, buildings and improvements	\$3,107,307
Road and parking	24,000
Equipment	296,615
Library books	601,137
	<u>4,029,059</u>
Accumulated depreciation	<u>(2,063,431)</u>
	1,965,628
Land lots at Florida, USA (donated)	<u>20,618</u>
Total	<u>\$1,986,246</u>

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 7 – LONG – TERM DEBT

In August 2012, the Seminary entered in a mortgage loan with Mission Investment Fund (MIF) (a financial ministry of the Evangelical Lutheran Church in American). The loan is secured with real property of the Seminary with an original principal promissory note of \$1,120,000. The term of the loan is for 25 years (through June 2037) at an initial interest rate of 4.625%. The interest rate will be adjusted every five years to the current interest rate of the MIF. The initial monthly payment was for \$6,305, principal and interests. In 2017 (the first adjustment date) the interest rate was modified to 3.875% per annum. Due to Hurricane Maria, the Seminary was granted with a moratorium on monthly loan payments from December 2017 to March 2018. In addition, monthly payments were reduced to \$3,500 through November 2018, and to \$4,000 from December 2018 through April 2019. After April 2019, the monthly payments are restored to the original agreement.

The loan agreement established obligations on the Seminary to comply with certain affirmative and negative covenants. The Seminary believes it has complied with these covenants.

Principal maturities of long-term debt for the next five years and thereafter are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 5,450
2019	4,495
2020	4,567
2021	4,852
2022	5,044
2023-2027	28,250
2028-2032	34,180
2033-2037	<u>888,552</u>
Total	975,390
Less: Current portion	<u>5,450</u>
Long-term debt	<u>\$ 969,940</u>

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 8 LINE OF CREDIT

As of December 31, 2017, the Seminary has a secured revolving line of credit of \$100,000 with a financial institution. Interest is payable monthly at the fluctuating prime rate plus 1.50%. The line of credit is secured by the certificated of deposit in the same financial institution and securities at the Popular Security. As of December 31, 2017, the outstanding balance under the line of credit amounted to \$65,750.

NOTE 9 – ACCRUED EXPENSES AND PAYROLL WITHHOLDINGS

As of December 31, 2017, accrued expenses and payroll withholdings consist of the following:

Accrued vacations	\$ 17,672
Asume	140
Withholding social security and medicare	3,422
Pension fund	500
MSCHE	1,575
Library subscription	8,541
Withholding income tax	759
Other insurances	50
	<u>\$ 32,659</u>

NOTE 10 – DEFERRED REVENUES

As of December 31, 2017, deferred revenue consists of the following:

Tuition	\$ 43,363
Other programs	<u>147,236</u>
	<u>\$ 190,599</u>

SEMINARIO EVANGÉLICO DE PUERTO RICO, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 11 – CONTIGENCIES

The Seminary may be party to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the Seminary's financial position.

In addition, the Seminary participates in several financial assistance programs (federal and state). These programs are subject to audit and/or monitoring to compliance by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Management believes the impact will not be material to the Seminary's financial statements.

NOTE 12 – INSURANCE CLAIM

On September 20, 2017, Hurricane María impacted Puerto Rico causing widespread infrastructure and other property damage, and the complete collapse of the electrical grid across the Island. Due to the damages suffered in the facilities of the Seminary after the passage of Hurricane Maria, the administration presented an insurance claim for business interruption and property damages.

The estimates of damages to the property identified by management to the date of issuance of these financial statements are approximately \$300,000. Repairs made during 2017 and included in the statement of activities and changes in net assets were close to \$ 19,600. The Seminar has covered these expenses with its own funds and special contributions received for that purpose.

Related to the business interruption, the claim is still in the process of evaluation. For the claim of property damage, the agreement has not been completed, but the Seminar has received, after the date of the accompanying financial statements, advance payments amounted to \$ 120,348. These advances will be recognized as income in the 2018 financial statements.