Financial Statements
June 30, 2022

Community Christian College
(A California Nonprofit Corporation)

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Trustees
Community Christian College
Redlands, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Community Christian College (the College), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was 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 schedule of expenditures of federal awards 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 February 3, 2023 on our consideration of the 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 the 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 the College's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 3, 2023

Assets	
Current Assets	
Cash and cash equivalents	$ 743,591
Accounts receivable, net	3,161,872
Total current assets	3,905,463
Noncurrent Assets	
Prepaid expense and other noncurrent assets	55,447
Property and equipment, net	199,502
Total noncurrent assets	254,949
Total assets	$ 4,160,412
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 248,026
Accrued vacation	86,036
Payroll taxes payable, current portion	12,000
Refundable advance	69,490
Loans payable	124,560
Total current liabilities	540,112
Long-term Liabilities	
Payroll taxes payable, noncurrent portion	178,233
Total liabilities	718,345
Net Assets	
Without donor restrictions	3,442,067
With donor restrictions	-
Total net assets	3,442,067
Total liabilities and net assets	$ 4,160,412

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Tuition	$ 4,725,933	$ -	$ 4,725,933
Program income	902,568	-	902,568
Contributions	115,085	-	115,085
In-kind contributions	20,000	-	20,000
Government grants	-	132,554	132,554
Other income	13,941	-	13,941
Fees	34,364	-	34,364
Rental income	4,800	-	4,800
Interest	302	-	302
Forgiveness of loans payable	156,370		156,370
Net assets released from restrictions	378,672	(378,672)	-
Total revenue and support	6,352,035	(246,118)	6,105,917
Expenses			
Program services			
Education	2,333,118	-	2,333,118
Athletics	1,256,126	-	1,256,126
Total program expenses	3,589,244	-	3,589,244
Supporting services			
Management and general	1,484,774	-	1,484,774
Total supporting services	1,484,774	-	1,484,774
Total expenses	5,074,018	-	5,074,018
Change in Net Assets	1,278,017	(246,118)	1,031,899
Net Assets, Beginning of Year	2,164,050	246,118	2,410,168
Net Assets, End of Year	$ 3,442,067	$ -	$ 3,442,067

	Program Services			Management	
	Education	Athletics	Total	and General	Total
Accreditation	$ 13,051	$ -	$ 13,051	$ -	$ 13,051
Bad debt	1,128,211	-	1,128,211	-	1,128,211
Bank service charges	-	-	-	5,514	5,514
Contract services	-	-	-	288,781	288,781
Depreciation	-	-	-	6,420	6,420
Dues and subscriptions	6,641	-	6,641	-	6,641
Employee benefits	-	-	-	152,242	152,242
Financial aid expense	108,320	-	108,320	-	108,320
Insurance	43,704	43,945	87,649	10,739	98,388
Interest expense	-	-	-	17,610	17,610
Library expense	172,825	-	172,825	-	172,825
License and permits	-	-	-	16,443	16,443
Payroll expenses	516,323	241,491	757,814	752,165	1,509,979
Payroll taxes	45,988	21,509	67,497	66,995	134,492
Postage and delivery	-	-	-	1,757	1,757
Professional fees	10,450	-	10,450	30,695	41,145
Program expense	193,402	949,181	1,142,583	686	1,143,269
Rent	47,089	-	47,089	4,339	51,428
Repairs, maintenance, and utilities	-	-	-	124,278	124,278
Supplies	12,526	-	12,526	4,695	17,221
Taxes	-	-	-	52	52
Telephone	3,182	-	3,182	1,363	4,545
Travel	31,406	-	31,406	-	31,406
Total expenses	$ 2,333,118	$ 1,256,126	$ 3,589,244	$ 1,484,774	$ 5,074,018

Operating Activities	
Change in net assets	$ 1,031,899
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	6,420
Forgiveness of notes payable and related accrued interest	(156,370)
Bad debt expense	1,128,211
Donated vehicle	(20,000)
Changes in operating assets and liabilities	
Accounts receivable	(2,301,794)
Prepaid expense and other noncurrent assets	(48,634)
Accounts payable	155,180
Accrued vacation	44,627
Refundable advance	69,490
Payroll taxes payable	(12,000)
Net Cash from Operating Activities	(102,971)
Financing Activities	
Accrued interest on past due loans payable	5,840
Payments on loans payable	(100,000)
Net Cash used for Financing Activities	(94,160)
Net Change in Cash and Cash Equivalents	(197,131)
Cash and Cash Equivalents, Beginning of Year	940,722
Cash and Cash Equivalents, End of Year	$ 743,591
Supplemental Disclosure of Non-cash Investing and Financial Activity	
Donated vehicle	$ 20,000

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Community Christian College ("the College") is an independent community college dedicated to offering an affordable education founded in liberal arts, while promoting the development of Christian knowledge, skills, and values. Instruction began in the Fall Quarter 1995 with a freshman class of 10 students.

The College is formally and materially committed to its status as a junior college, offering courses and Associate of Arts degrees appropriate only to the lower-division of college and university academic order. The College is a member of the Transnational Association of Christian Colleges and Schools (TRACS) and was awarded Reaffirmation I of its Accredited Status as a Category I institution in April 2012, which is effective for a period of 10 years.

The College is not affiliated with any educational institutions and has no affiliations with any local church or church denomination.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for tuition. Allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2022, the allowance was $1,128,211. At June 30, 2021, the accounts receivable balance was $1,988,288.

Property and Equipment

Property and equipment additions over $5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Payroll Taxes Payable

Payroll taxes payable consist of payroll liabilities incurred in prior periods and due to the Internal Revenue Service ("IRS").

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The College reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The College reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Revenue and Revenue Recognition

Student tuition and fee revenues are recognized at the beginning of each term. Program income, consisting of athletic fees, is recognized at the start of each program. The College recognizes revenue from student tuition and fees during the year in which the related services are provided to the students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. No conditional contributions have been received. The College's federal contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. As of June 30, 2022, no conditional contributions were received for which no amounts had been received in advance.

In-kind Contributions

In-kind contributions include donated equipment which is recorded at the respective fair values of the goods received (Note 8). The College does not sell donated gifts-in-kind. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services and administration, however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Advertising Costs

Advertising costs are expensed as incurred and were $4,494 during the year ended June 30, 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The College is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction, and has been determined not to be a private foundation. The College is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the College is subject to income tax on net income that is derived from business activities that are unrelated to the College's exempt purposes. The College determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the College has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The College would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the College to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed by the College to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments. To date, no losses have been experienced in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members and organizations supportive of the College's mission. Investments are made by diversified investment managers whose performance is monitored by the College and the investment committee of the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the College and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Change in Accounting Principle

As of July 1, 2021, the Foundation adopted FASB ASU 2020-07, *Not-for Profit Entities (Topic 958) Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. The standard required enhanced presentation and disclosure of contributed nonfinancial assets requiring contributed nonfinancial assets to be presented as a separate line item in the statement of activities, separate from other forms of contributions.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 743,591
Accounts receivable, net	3,161,872
	$ 3,905,463

As part of a liquidity management plan, the College has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 3 - Property and Equipment

Property and equipment consist of the following at June 30, 2022:

Buildings	$ 149,365
Library assets	99,996
Vehicles	20,000
Classroom equipment	5,964
	275,325
Less accumulated depreciation	(75,823)
Total property and equipment, net	$ 199,502

During the year ended June 30, 2022, the College received an in-kind donation of a van in the amount of $20,000 (Note 8).

Note 4 - Line of Credit

The College has a $350,000 revolving line of credit with a bank, secured by a deposit and the current demand deposit account with the bank. Borrowings under the line bear interest at the Wall Street Journal prime rate prime rate plus 1.25%. Accrued interest and principal are due at maturity on September 30, 2022. A portion of this line of credit relates to a letter of credit required by the U.S. Department of Education. This letter of credit accounts for $294,114 of the total credit limit and expires September 30, 2023.

Note 5 - Refundable Advance

The College's federal contracts and grants are conditional upon certain performance requirements and the incurrence of allowable qualified expense, and as of June 30, 2022, the College had $69,490 that is has received in advance and can be recognized when those conditions are met.

Note 6 - Loans Payable

Loans payable consist of a total of three loans from two individuals and an institution. The loans are all past their original maturity date and the College is continuing to make payments on these loans. Loans payable, including accrued interest, consist of the following as of June 30, 2022:

Loans payable	$	54,166
Accrued interest on loans payable		70,394
Total loans payable	$	124,560

In 2022, the College reached an agreement with two lenders to cancel a portion of debt and accrued interest in exchange for a payment of $100,000. This resulted in a forgiveness of debt gain of $156,370.

Note 7 - Leases

Office space is leased under operating leases expiring on November 30, 2023. Future minimum lease payments are as follows:

Years Ending June 30,		Operating Leases
2023	$	53,102
2024		22,412
Total minimum lease payments	$	75,514

Rent expense for the year ended June 30, 2022 totaled $51,428.

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to Expenditure for Specified Purpose		
Higher Education Emergency Relief Fund grant	$	-

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Satisfaction of Purpose Restrictions		
Higher Education Emergency Relief Fund grant	$	378,672

Note 9 - In-kind Contributions

For the year ended June 30, 2022, the College received an unrestricted in-kind donation of a van valued at $20,000.

Contributed vehicles are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the vehicles' condition and utility for use at the time of the contribution. Contributed vehicles are used for program services and office administration as needed.

Note 10 - Employee Benefit Plans

Defined Contribution Plan

The College has a defined contribution plan covering all employees except union employees, nonresident aliens, leased employees. The plan provides that employees who have attained 2 months of service can voluntarily contribute up to 100% of their earnings to the plan. Employer contributions are discretionary and are determined and authorized by the Board of Trustees each plan year. Total expense related to the plan for the year ended June 30, 2022, was $32,400.

Note 11 - Related Party Transactions

During the year ended June 30, 2022, board members made contributions to the College for general operations in the total of $103,250.

Note 12 - Subsequent Events

In September 2022, two lenders forgave a total of $48,732 of the outstanding notes payable, and the College paid off the remaining balances on all loans outstanding at year end.

In September 2022, the College entered into a note payable with a related party. The note is in the amount of $83,500, bears no interest, is due in monthly installments of $1,392 until September 1, 2027.

In September 2022, the College renewed its line of credit with the terms listed in Note 4 and maturing September 30, 2023.

Supplementary Information
June 30, 2022

Community Christian College

Independent Auditor's Report on Other Supplementary Information

To the Board of Trustees
Community Christian College
Redlands, California

We have audited the financial statements of Community Christian College as of and for the year ended June 30, 2022, and have issued our report thereon dated February 3, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The Financial Responsibility Schedule is presented for the 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 audits 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.

Eide Bailly LLP

Rancho Cucamonga, California
February 3, 2023

Primary Reserve Ratio

Expendable Net Assets:

Financial Statement Location	Description		
Statement of Financial Position - Total net assets without donor restrictions	Net assets without donor restrictions		$ 3,442,067
Statement of Financial Position - Total net assets with donor restrictions	Net assets with donor restrictions		-
Statement of Financial Position - Related party receivable and Related party note disclosure	N/A		-
Statement of Financial Position -Contribution receivable, net and Related party note disclosure	N/A	-	-
Statements of Financial Position - Property and equipment, net	Property and equipment, net	199,502	-
Note of the Financial Statements - Statement of Financial Positions- Property, Plant and Equipment - pre-implementation	N/A	-	-
Property, plant and equipment post-implementation with outstanding debt for original purchase	N/A	-	-
Note of the Financial Statements - Statement of Financial Positions- Property, Plant and Equipment -Construction in progress	N/A	-	-
Statement of Financial Position - Lease right-of-use assets, net	N/A	-	-
Note of the Financial Statements - Statement of Financial Positions- Lease right-of-use asset pre-implementation	N/A	-	-
Note of the Financial Statements - Statement of Financial Positions- Lease right-of-use asset post-implementation	N/A	-	-
Statement of Financial Position - Goodwill	N/A	-	-
Statement of Financial Position - Post-employment and pension liabilities	N/A	-	-
Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in progress	Long-term liabilities	124,560	-

Statement of Financial Position - Lease right-of-use of asset liability	N/A	-	-
Statement of Financial Position - Lease right-of-use of asset liability preimplementation	N/A	-	-
Statement of Financial Position - Annuities	N/A	-	-
Statement of Financial Position - Term Endowments	N/A	-	-
Statement of Financial Positions - Life Income Funds	N/A		-
Statement of Financial Position - Perpetual Funds	N/A	-	-

Total Expenses and Losses:

Statements of Activities - Total Expenses	Total expenses without donor restrictions - taken directly from Statement of Activities		$ 5,074,018
Statements of Activities - Net investment return without donor restriction, other sources without donor restriction, and Change in value of Split-Interest Agreements held by Presentation College without donor restriction	N/A		-
Statements of Activities - Net investment return without donor restriction	N/A		-
Statement of Activities - Pension-related changes other than periodic pension	N/A		-

Equity Ratio

Modified Net Assets:

Financial Statement Location	**Description**		
Statements of Financial Position - Total net assets without donor restrictions	Net assets without donor restrictions		3,442,067
Statements of Financial Position - Total net assets with donor restrictions	Net assets with donor restrictions		-
Intangible assets	N/A		-
Secured and unsecured related party receivables	N/A		-
Unsecured related party receivables	N/A	-	

Modified Assets:

Financial Statement Location	Description		
Statements of Financial Position - Total assets	Total assets		$ 4,160,412
Lease right-of-use asset pre-implementation	NA		-
Pre-implementation right-of-use asset liability	NA		-
Intangible assets	NA		-
Secured and unsecured related party receivables	NA		-
Unsecured related party receivables	NA	-	

Net Income Ratio

Financial Statement Location	Description	
Statements of Activities - Change in net assets without donor restrictions	Change in net assets without donor restrictions	1,278,017
Statement of Activities - Total revenues	Total revenues and gains	6,352,035

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
Community Christian College
Redlands, California

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 Community Christian College (the College), which comprise the statement of financial position as of June 30, 2022, and the related statement 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 February 3, 2023.

Report on 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) as a basis for designing 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 entity'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 were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 through 2022-003 that we consider to be material weaknesses.

Report on 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Community Christian College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 results 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.

Eide Bailly LLP

Rancho Cucamonga, California
February 3, 2023

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
Community Christian College
Redlands, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Christian College's (the College) compliance with the types of compliance requirements identified as subject to audit 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 June 30, 2022. 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.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items *2022-004 through 2022-008.* Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items *2022-004 and 2022-007* to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items *2022-005, 2022-006, and 2022-008* to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other 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.

Eide Bailly LLP

Rancho Cucamonga, California
February 3, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	$ 8,225
Federal Work-Study Program	84.033	N/A	3,592
Federal Pell Grant Program	84.063	N/A	2,105,281
Federal Direct Student Loans	84.268	N/A	1,867,576
Subtotal Student Financial Assistance Cluster			3,984,674
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E	N/A	120,246
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F	N/A	134,120
COVID-19: Higher Education Emergency Relief Funds, Funds for the Improvement of Postsecondary Education (FIPSE) Formula Grant	84.425N	N/A	244,993
Subtotal			499,359
Total Department of Education			4,484,033
Total Federal Financial Assistance			$ 4,484,033

N/A - Not Applicable, Direct Funded Federal Program

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the schedule") includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2022. The information 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.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The College and has not elected to use the 10% de minimus cost rate.

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes

Identification of major program

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2022-001 **Year-End Financial Reporting**
Material Weakness

Criteria
Management is responsible for establishing, maintaining, and monitoring internal controls over financial reporting, and for the fair presentation of the statement of financial position and the related statements of activities, functional expenses, and cash flows, in conformity with accounting principles generally accepted in the United States of America.

Condition
The College's financial statements would not be disclosed properly if the financial statements were not prepared with the assistance from the auditors. It is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition.

Cause
Management has requested that we assist in the preparation a draft of the financial statements, including the required notes to the financial statements. Additionally, as part of our audit procedures, we noted account reconciliations were not properly reviewed and proposed various adjusting journal entries that were material to the College's financial statements.

Effect
Errors were found in various accounts including:
- Net credit accounts receivable were not reclassified to student accounts payable
- Year end payroll was not accrued for
- A repairs and maintenance invoice from the fiscal year was not included in liabilities at year end
- Prepaid rent was fully expensed
- Prepaid insurance was fully expensed
- Students were issued duplicate invoices for tuition fees

Recommendation
To ensure activity is properly recorded, a formal process needs to be implemented to ensure the review of all reconciliations by a second individual are performed in a timely manner, typically monthly. A year-end financial closing calendar needs to be completed to ensure timely preparation of the College's financial statements.

View of Responsible Officials
Management agrees with the finding.

2022-002 **Allowance for Doubtful Accounts**
Material Weakness

Criteria
Management is responsible for establishing, maintaining, and monitoring internal controls over accounts receivable and allowance for doubtful accounts balances in conformity with accounting principles generally accepted in the United States of America.

Condition
The balance of aged accounts receivable increased significantly during the fiscal year with minimal collections made.

Cause
An allowance for doubtful accounts was not established before the start of the audit.

Effect
An allowance for doubtful accounts was deemed necessary but not established.

Recommendation
An allowance for doubtful accounts should be maintained by the College due to the size and nature of its receivables, and the collection history of the College. This allowance methodology and calculation should be reviewed by an independent individual to ensure accuracy.

View of Responsible Officials
Management agrees with the finding.

2022-003 **Journal Entry Review**
Material Weakness

Criteria
Management is responsible for establishing, maintaining, and monitoring internal controls over journal entries in conformity with accounting principles generally accepted in the United States of America.

Condition
There is no evidence of a review and approval process for journal entries that are posted to the financial system.

Cause
Management has not established adequate internal controls over journal entry postings.

Effect
This could result in an increased potential for misstatement or error.

Recommendation
Management should be responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such procedures should include supervisory level personnel performing a thorough review of all journal entries with adequate supporting documentation. The College should consider the implementation of an independent review of journal entries with adequate supporting documentation for management review and understanding.

View of Responsible Officials
Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

2022-004 Eligibility

Program Name: Student Financial Assistance Cluster
Federal Assistance Listing Numbers: 84.007, 84.033, 84.063, and 84.032
Federal Agency: U.S. Department of Education (ED)
Type of Finding: Material Weakness in Internal Control and Material Noncompliance

Criteria or Specific Requirements
34 CFR section 685.203:
In the case of an undergraduate student who has not successfully completed the first year of a program of undergraduate education, the total amount the student may borrow under the Direct Subsidized Loan Program may not exceed $3,500 for a program of study of at least a full academic year in length.

34 CFR section 690.62:
The Pell grant for an academic year is based upon the payment and disbursement schedules released by the U.S. Department of Education for each award year. The payment schedules take into account the student's cost of attendance, EFC and enrollment status.

Condition
Material Weakness– During testing over the eligibility requirements, the following deficiencies were noted:

- 1 of 68 students loan disbursements exceeded the subsidized loan annual limit for first year students.
- 2 of 68 students total financial aid packages exceeded their cost of attendance resulting in an overpayment of Title IV assistance.
- 14 of 68 students were not disbursed the correct amount of Pell grant based on their enrollment status.
- The College failed to report loan disbursement to NSLDS for 1 out of 68 students.

Questioned Costs
$19,792 of loan disbursements that exceeded the subsidized loan annual limit for first year students.
$10,442 of overpayments as a result of inaccurate financial aid package calculations.
$3,804 of overpayments and $8,583 of underpayments as a result of inaccurate disbursement calculations.

Context
The College contracts with a third-party servicer to perform one or more of the functions associated with processing direct payments of Title IV funds on behalf of the school. The overpayment of Pell grants was due to the College not updating the enrollment status of the students. Additionally, the College did not review the service provider's calculations or reporting of information to ensure compliance with eligibility requirements. A nonstatistical sample of 68 students out of 346 students were selected for eligibility testing.

The College disbursed $3,984,674 of Title IV funds to the students attending the College during the 2021-2022 award year.

Effect
The College is not in compliance with the Federal eligibility requirements described in the OMB Compliance Supplement.

Cause
The College did not retain supporting evidence or ensure eligibility requirements were met for students under the Pell Grant and Direct Loan Programs.

Repeat Finding
No

Recommendation
The College should implement a process to review, update, and verify student eligibility requirements. The College should maintain a document retention policy in order to comply with Title IV laws and regulations.

View of Responsible Officials and Corrective Action Plan

Management agrees with the finding. Please see separate Corrective Action Plan for procedures to be implemented.

2022-005 Special Test and Provisions - Return to Title IV

Program Name: Student Financial Assistance Cluster
Federal Assistance Listing Numbers: 84.007, 84.033, 84.063, and 84.032
Federal Agency: U.S. Department of Education (ED)
Type of Finding: Significant Deficiency and Noncompliance

Criteria or Specific Requirements
34 CFR section 668.22(j)(2):
An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

34 CFR section 668.22(c):
If an institution is not required to take attendance, the withdrawal date is (1) the date, as determined by the institution, that the student began the withdrawal process prescribed by the institution; (2) the date, as determined by the institution, that the student otherwise provided official notification to the school, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss or other circumstances beyond the student's control, the date the institution determines is related to that circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence.

Condition
Significant Deficiency– During testing over Return to Title IV requirements, the following deficiencies were noted:

- 1 of 22 Return to Title IV calculations were incorrectly calculated.
- 1 of 22 Return to Title IV calculations were performed outside of the allowable timeframe.
- 5 of 22 student overpayments calculated were not returned to Title IV programs.
- 3 of 22 withdrawn students did not have a Return to Title IV calculation performed resulting in an overpayment of funds.

Questioned Costs
Questioned costs include $6,448 of funds that were not returned to U.S. (ED).

Context
The College did not perform R2T4 calculations for students under the Pell Grant and Direct Loan Programs timely or accurately. A nonstatistical sample of 22 R2T4 calculations out of 106 R2T4 calculations were selected for Return to Title IV testing.

Effect
Without proper monitoring of accuracy and student withdrawals, the College risks noncompliance with the above referenced criteria.

Cause
The College did not implement procedures to ensure that the return to Title IV funds were performed accurately and returned in a timely manner.

Repeat Finding
No

Recommendation
The College should implement procedures to ensure that the student withdrawal calculations are performed accurately and returned within 30 days from the end of the academic period.

View of Responsible Officials and Corrective Action Plan

Management agrees with the finding. Please see separate Corrective Action Plan for procedures to be implemented.

2022-006 Reporting

Program Name: Student Financial Assistance Cluster
CFDA Number: 84.033, 84.007, 84.063, and 84.032
Federal Agency: U.S. Department of Education
Type of Finding: Significant Deficiency and Noncompliance

Criteria or Specific Requirement
34 CFR 673.3:
To participate in the FWS, or FSEOG programs, an institution shall file an application before the deadline date established annually by the Secretary through publication of a notice in the Federal Register.

ED Form 646-1, Fiscal Operations Report and Application to Participate (FISAP) (OMB No. 1845-0030) – This electronic report is submitted annually to receive funds for the campus-based programs. The data is used in conjunction with institutional program reviews to assess the administrative capability and compliance of the College.

Condition
Significant Deficiency– The College did not retain supporting evidence utilized for reporting critical information within the FISAP.

Questioned Costs
There are no questioned costs associated with this finding.

Context
The College lacked evidence to support figures reported in the FISAP. A nonstatistical sample of 4 key line items out of 23 line items in Part VI, Program Summary for Award Year out were selected for reporting testing.

Effect
The College is not in compliance with the Federal requirements described in the OMB Compliance Supplement.

Cause
The College does not have a process in place to retain reporting documentation.

Repeat Finding: No

Recommendation
It is recommended the College should establish effective controls and processes to ensure that reporting of FISAP figures are properly supported and any evidence of review is maintained.

Views of Responsible Officials and Corrective Action Plan

Management agrees with the finding. Please see separate Corrective Action Plan for procedures to be implemented.

2022-007 Special Tests and Provisions – Enrollment Reporting

Program Name: Student Financial Assistance Cluster
Federal Assistance Listing Numbers: 84.007, 84.033, 84.063, and 84.032
Federal Agency: U.S. Department of Education (ED) Direct funded by the U.S. Department of Education (ED)
Type of Finding: Material Weakness in Internal Control and Noncompliance

Criteria or Specific Requirements
OMB Compliance Supplement, OMB No. 1845-0035 – Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the National Student Loan Data System (NSLDS).

Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institutions' Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment information. There are two categories of enrollment information: "Campus Level" and "Program Level", both of which need to be reported accurately and have separate record types. The NSLDS Enrollment Reporting Guide provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process.

Condition
Material Weakness – During testing over the NSLDS reporting requirements, the following deficiencies were noted:

- 3 of 60 students program begin dates were not accurately reported on NSLDS (enrollment date per student accounts do not agree to begin date per NSLDS).
- 9 of 60 students certification dates exceeded the 60-day timing requirement.
- 53 of 60 student effective dates were not accurately reported as NSLDS (dates of change do not agree to effective dates).
- 53 of 60 student enrollment statuses were not accurately reported on NSLDS (status per student accounts do not agree to status per NSLDS).
- The College failed to provide NSLDS documentation for 23 of 60 students.

Questioned Costs
There are no questioned costs associated with the noncompliance.

Context
The College disbursed financial aid to approximately 346 students that required student enrollment and program enrollment reporting to NSLDS. A nonstatistical sample of 60 students out of 346 students were selected for enrollment reporting testing.

Effect
The College is not in compliance with the Federal enrollment reporting requirements described in the OMB Compliance Supplement.

Cause
The College did not report enrollment information for students under the Pell Grant and Direct Loan Programs via NSLDS timely or accurately.

Repeat Finding (Yes or No)
No

Recommendation
The College should implement a process to review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

View of Responsible Officials and Corrective Action Plan

Management agrees with the finding. Please see separate Corrective Action Plan for procedures to be implemented.

2022-008 Special Tests and Provisions – Disbursements to or on Behalf of Students

Program Name: Student Financial Assistance Cluster
Federal Assistance Listing Numbers: 84.007, 84.033, 84.063, and 84.032
Federal Agency: U.S. Department of Education (ED)
Type of Finding: Significant Deficiency and Noncompliance

Criteria or Specific Requirements
34 CFR 668.164(i):
The earliest an institution may disburse SFA funds (other than FWS) (either by paying the student directly or crediting the student's account) is 10 days before the first day of classes of the payment period or module for which the disbursement is intended.

34 CFR 668.165 (a)(6)(i)):
The institution must notify the student, or parent, in writing of
(1) the date and amount of the disbursement;
(2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan payments returned to ED; and
(3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. Institutions that implement an affirmative confirmation process must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan.

Condition
Significant Deficiency - During testing over the disbursement requirements, the following deficiencies were noted:
- 3 of 68 students were disbursed aid greater than 10 days before the first day of classes for the payment period.
- The College failed to provide evidence of loan disbursement notifications for 30 of 40 students.

Questioned Costs
There are no questioned costs associated with the noncompliance.

Context
The College contracts with a third-party servicer to perform one or more of the functions associated with disbursing Title IV funds on behalf of the school. Due to turnover of key department employees and termination of the service agreement during the fiscal year, the College did not retain evidence of loan disbursement notifications sent to students who received direct loan assistance. Additionally, the College did not ensure compliance with disbursing Pell assistance within the acceptable payment period for the term it was intended. A nonstatistical sample of 68 students out of 346 students were selected for disbursement testing.

Effect
The College is not in compliance with the Federal disbursement requirements described in the OMB Compliance Supplement.

Cause
The College did not comply with Federal disbursement requirements students under the Pell Grant and Direct Loan Programs.

Repeat Finding
No

Recommendation
The College should implement a process to review, update, and verify student disbursement requirements. The College should maintain a document retention policy in order to comply with Title IV laws and regulations.

View of Responsible Officials and Corrective Action Plan

Management agrees with the finding. Please see separate Corrective Action Plan for procedures to be implemented.