

Gordon-Conwell Theological Seminary



FINANCIAL STATEMENTS

June 30, 2010 and 2009

With Independent Auditors' Report

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

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Report of Independent Auditors

Board of Trustees
Gordon-Conwell Theological Seminary, Inc.

We have audited the accompanying statements of financial position of Gordon-Conwell Theological Seminary, Inc. (the Seminary) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Seminary's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gordon-Conwell Theological Seminary, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Berry, Dunn, McNeil & Parker

Manchester, New Hampshire
September 27, 2010

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Statements of Financial Position

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 523,625	\$ 361,412
Accounts receivable (less allowance of \$523,100 in 2010 and \$504,000 in 2009)	1,119,828	1,149,297
Student loans	890,304	1,011,541
Pledges receivable (less present value discount of \$403,900 in 2010 and \$298,100 in 2009)	1,372,364	992,224
Inventories and supplies	246,783	279,579
Prepaid expenses and other	376,352	252,470
Notes receivable	2,268,861	1,888,861
Beneficial interest in charitable remainder trust	2,487,760	2,414,346
Investments	38,191,471	35,510,580
Land, buildings and equipment - net	<u>34,409,184</u>	<u>35,006,369</u>
Total assets	<u>\$ 81,886,532</u>	<u>\$ 78,866,679</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 454,112	\$ 395,155
Accrued payroll and employee benefits	832,351	837,052
Deferred income and student deposits	797,985	881,987
Obligation under capital leases	324,500	408,799
Notes payable	1,842,090	2,141,615
Annuities payable and trust obligations	1,816,844	1,662,640
Conditional asset retirement obligations	192,733	192,733
Advances from government for Federal student loans	<u>982,953</u>	<u>957,578</u>
Total liabilities	<u>7,243,568</u>	<u>7,477,599</u>
Commitments (Notes A, J, K and L)		
NET ASSETS		
Unrestricted	25,558,849	24,688,311
Temporarily restricted	7,355,172	5,865,101
Permanently restricted	<u>41,728,943</u>	<u>40,835,708</u>
Total net assets	<u>74,642,964</u>	<u>71,389,120</u>
	<u>\$ 81,886,532</u>	<u>\$ 78,866,679</u>

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

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Statement of Activities

For the year ended June 30, 2010

(with summarized financial information for the year ended June 30, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2009</u>
OPERATING ACTIVITIES:					
Revenues, gains and other support:					
Student tuition and fees	\$ 14,650,503	\$ -	\$ -	\$ 14,650,503	\$ 14,794,250
Less student aid	<u>(4,258,882)</u>	<u>-</u>	<u>-</u>	<u>(4,258,882)</u>	<u>(4,362,905)</u>
	<u>10,391,621</u>	<u>-</u>	<u>-</u>	<u>10,391,621</u>	<u>10,431,345</u>
Private gifts and grants	2,080,250	-	-	2,080,250	1,862,674
Government grants and contracts	113,764	-	-	113,764	117,040
Investment income appropriated for operations	1,947,605	-	-	1,947,605	2,078,431
Other income	300,465	-	-	300,465	221,648
Auxiliary enterprises	3,683,140	-	-	3,683,140	4,069,381
Net assets released from restrictions	<u>1,706,738</u>	<u>-</u>	<u>-</u>	<u>1,706,738</u>	<u>1,029,419</u>
Total revenues, gains and other support	<u>20,223,583</u>	<u>-</u>	<u>-</u>	<u>20,223,583</u>	<u>19,809,938</u>
Expenses:					
Program					
Instruction	7,282,309	-	-	7,282,309	7,754,796
Academic support	1,391,976	-	-	1,391,976	1,257,082
Student services	1,493,722	-	-	1,493,722	1,567,260
Libraries	1,331,222	-	-	1,331,222	1,296,650
Auxiliary enterprises	3,674,871	-	-	3,674,871	4,162,619
Sponsored academic projects	<u>290,845</u>	<u>-</u>	<u>-</u>	<u>290,845</u>	<u>395,374</u>
Total program	15,464,945	-	-	15,464,945	16,433,781
Management and general	3,356,085	-	-	3,356,085	3,559,354
Fundraising	<u>1,362,706</u>	<u>-</u>	<u>-</u>	<u>1,362,706</u>	<u>997,239</u>
Total expenses	<u>20,183,736</u>	<u>-</u>	<u>-</u>	<u>20,183,736</u>	<u>20,990,374</u>
Change in net assets from operating activities	39,847	-	-	39,847	(1,180,436)
NON-OPERATING ACTIVITIES:					
Other gifts	51,886	2,781,315	122,658	2,955,859	2,657,635
Change in swap value and other income	(2,605)	37,886	-	35,281	(2,193)
Change in value of trusts and annuities payable	(13,709)	229,481	(218,617)	(2,845)	(551,236)
Investment income (loss) net after operations	624,971	318,275	989,194	1,932,440	(8,301,243)
Net assets released from restrictions appropriated for capital purposes	170,148	(170,148)	-	-	-
Net assets released from restrictions – operations	<u>-</u>	<u>(1,706,738)</u>	<u>-</u>	<u>(1,706,738)</u>	<u>(1,029,419)</u>
CHANGE IN NET ASSETS	870,538	1,490,071	893,235	3,253,844	(8,406,892)
NET ASSETS AT BEGINNING OF YEAR	<u>24,688,311</u>	<u>5,865,101</u>	<u>40,835,708</u>	<u>71,389,120</u>	<u>79,796,012</u>
NET ASSETS AT END OF YEAR	<u>\$ 25,558,849</u>	<u>\$ 7,355,172</u>	<u>\$ 41,728,943</u>	<u>\$ 74,642,964</u>	<u>\$ 71,389,120</u>

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

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Statement of Activities

For the year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING ACTIVITIES:				
Revenues, gains and other support:				
Student tuition and fees	\$ 14,794,250	\$ -	\$ -	\$ 14,794,250
Less student aid	<u>(4,362,905)</u>	<u>-</u>	<u>-</u>	<u>(4,362,905)</u>
	10,431,345	-	-	10,431,345
Private gifts and grants	1,862,674	-	-	1,862,674
Government grants and contracts	117,040	-	-	117,040
Investment income appropriated for operations	2,078,431	-	-	2,078,431
Other income	221,648	-	-	221,648
Auxiliary enterprises	4,069,381	-	-	4,069,381
Net assets released from restrictions	<u>1,029,419</u>	<u>-</u>	<u>-</u>	<u>1,029,419</u>
Total revenues, gains and other support	<u>19,809,938</u>	<u>-</u>	<u>-</u>	<u>19,809,938</u>
Expenses:				
Program				
Instruction	7,754,796	-	-	7,754,796
Academic support	1,257,082	-	-	1,257,082
Student services	1,567,260	-	-	1,567,260
Libraries	1,296,650	-	-	1,296,650
Auxiliary enterprises	4,162,619	-	-	4,162,619
Sponsored academic projects	<u>395,374</u>	<u>-</u>	<u>-</u>	<u>395,374</u>
Total program	16,433,781	-	-	16,433,781
Management and general	3,559,354	-	-	3,559,354
Fundraising	<u>997,239</u>	<u>-</u>	<u>-</u>	<u>997,239</u>
Total expenses	<u>20,990,374</u>	<u>-</u>	<u>-</u>	<u>20,990,374</u>
Change in net assets from operating activities	(1,180,436)	-	-	(1,180,436)
NON-OPERATING ACTIVITIES:				
Other gifts	45,039	1,388,620	1,223,976	2,657,635
Change in swap value and other income	(45,915)	43,722	-	(2,193)
Change in value of trusts and annuities payable	12,947	(381,144)	(183,039)	(551,236)
Investment loss net after operations	(1,841,241)	(4,652,748)	(1,807,254)	(8,301,243)
Net assets released from restrictions appropriated for capital purposes	96,137	(96,137)	-	-
Net assets released from restrictions – operations	<u>-</u>	<u>(1,029,419)</u>	<u>-</u>	<u>(1,029,419)</u>
CHANGE IN NET ASSETS	(2,913,469)	(4,727,106)	(766,317)	(8,406,892)
NET ASSETS AT BEGINNING OF YEAR	<u>27,601,780</u>	<u>10,592,207</u>	<u>41,602,025</u>	<u>79,796,012</u>
NET ASSETS AT END OF YEAR	<u>\$ 24,688,311</u>	<u>\$ 5,865,101</u>	<u>\$ 40,835,708</u>	<u>\$ 71,389,120</u>

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

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Statements of Cash Flows

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 3,253,844	\$ (8,406,892)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gifts for long-term restricted purposes	(296,149)	(1,269,015)
Net unrealized and realized (gain) loss on investments	(2,963,061)	7,414,783
Depreciation	1,192,782	1,176,900
Provision for uncollectible accounts receivable	18,510	94,791
Reduction in allowance for uncollectible pledges receivable	-	(38,840)
Change in value of interest rate swap	2,065	45,915
Change in overall operating assets and liabilities:		
Accounts receivable	10,959	(207,606)
Student loans	121,237	274,966
Pledges receivable	(376,797)	(376,898)
Contribution receivable – remainder trusts	(73,414)	501,362
Inventories and supplies	32,797	84,771
Prepaid expenses and other	(123,882)	(42,665)
Accounts payable	58,957	73,845
Accrued payroll	(4,701)	66,445
Deferred income and student deposits	(84,002)	70,420
Annuities payable	<u>154,204</u>	<u>622,405</u>
Net cash provided by operating activities	<u>923,349</u>	<u>84,687</u>
INVESTING ACTIVITIES:		
Purchases of investments	(20,490,747)	(19,044,741)
Proceeds from sales of investments	20,772,917	18,928,347
Issuance of notes receivable	(380,000)	(325,000)
Payments received on notes receivable	-	1,924
Equipment purchases and building renovations	<u>(529,244)</u>	<u>(311,981)</u>
Net cash used for investing activities	<u>(627,074)</u>	<u>(751,451)</u>
FINANCING ACTIVITIES:		
Gifts and other income for restricted purposes net of assets released from restrictions	292,806	1,291,713
Increase in advances from government	25,375	8,976
Payment on note payable	(301,590)	(303,091)
Payments on capital leases	<u>(150,653)</u>	<u>(123,741)</u>
Net cash (used for) provided by financing activities	<u>(134,062)</u>	<u>873,857</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	162,21	207,093
Cash and cash equivalents at beginning of year	<u>361,412</u>	<u>154,319</u>
Cash and cash equivalents at end of year	<u>\$ 523,625</u>	<u>\$ 361,412</u>
Cash paid for interest	<u>\$ 99,783</u>	<u>\$ 136,275</u>
Non-cash transactions		
Equipment purchased through the issuance of capital leases	<u>\$ 66,354</u>	<u>\$ 29,325</u>

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

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE A – ORGANIZATIONAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Gordon-Conwell Theological Seminary, Inc. (the Seminary) is a multi-denominational, educational institution with a mission to train students, in cooperation with the evangelical Church, to become skilled in ministry. The Seminary offers fourteen separate masters and doctoral degree programs. The Seminary also offers non-degree certificate programs for individuals seeking adult continuing education without a degree. The Seminary's campuses are located in Hamilton and Boston, Massachusetts and Charlotte, North Carolina. The Charlotte campus has an extension site in Jacksonville, Florida.

The Seminary participates in student financial aid programs sponsored by the United States Department of Education which facilitates the payment of tuition and other expenses for certain students.

Financial Statement Presentation

The financial statements of the Seminary have been prepared on the accrual basis of accounting.

The accompanying financial statements have been prepared to focus on the Seminary as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. The Seminary's transactions are categorized as follows:

Permanently Restricted Activities - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Seminary. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Activities - Net assets subject to donor-imposed stipulations that can be fulfilled and removed by actions of the Seminary and/or the passage of time.

Unrestricted Activities - Net assets not subject to donor-imposed stipulations.

Contributions

The Seminary reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. As donor stipulated time restrictions end or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE A – ORGANIZATIONAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date received.

Contributions to be received after one year are discounted using a rate of interest commensurate with the risk involved for instruments of similar duration. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

The Seminary reports gifts of land, buildings, and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional Asset Retirement Obligations

In the normal course of its operations, the Seminary incurs legal obligations to perform certain retirement activity with regard to the ultimate disposition of some of its tangible long-lived assets due to the nature of material used in their construction or operation. The timing of the performance of these retirement activities is within the control of the Seminary and, due to the long useful lives of these assets, will be performed at some future date. The Seminary had recorded an estimated liability of approximately \$192,733 for these activities as of June 30, 2007. The estimates at June 30, 2010 and 2009 remain at \$192,733. The estimated liability relates principally to buildings that are substantially depreciated.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE A – ORGANIZATIONAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents, including Concentration of Credit Risk

The Seminary considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Cash equivalents held temporarily by the Seminary's investment managers are considered part of investments. The Seminary maintains its cash in bank deposit accounts and money market accounts, which at times may exceed federally insured limits of \$250,000. The Seminary has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

Inventories and Supplies

Inventories consisting of text books, stationary, clothing, cards and gifts are stated at the lower of cost (first-in, first-out) or market.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Seminary provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Seminary has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Student Loans Receivable

The balance of student loans receivable includes both funds advanced to the Seminary by the United States Department of Education under the Federal Perkins Student Loan Program and amounts funded by the Seminary from unrestricted net assets. Repayments of principal and interest on student loans receivable generally do not commence until after the borrower graduates or otherwise ceases enrollment. The Federal Perkins Student Loan Program has provisions for deferment, forbearance and cancellation of the individual loans. Principal payments, interest, and losses due to cancellation are shared by the Seminary and the U.S. Government in proportion to their share of funds provided. Such funds may be re-loaned by the Seminary after collection. Amounts advanced by the federal government under this program are ultimately refundable and are classified as advances from government for Federal student loans.

Interest income received from student loans receivable amounted to \$85,049 and \$83,047 during the years ended June 30, 2010 and 2009, respectively.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE A – ORGANIZATIONAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments

Investments are reported at fair value. All of the Seminary's investments are in securities for which a readily determinable fair value exists. The net increase (decrease) in realized and unrealized appreciation (depreciation) in the fair value of investments is included in the statement of activities in the appropriate net asset classification.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost less accumulated depreciation. Contributions of property and equipment are recorded at fair market value on the date of the contribution.

Depreciation is recorded on the straight-line basis over the estimated useful lives of buildings and improvements (20 to 50 years), furniture and equipment (10 years) and computer equipment (5 years). Estimated salvage values of 25% of original cost are used in computing depreciation for buildings.

Deferred Income and Student Deposits

Deferred income and student deposits generally represent tuition paid in advance, which are recognized as income when the related educational services are provided.

Annuity Payment Liability

The annuity value related to the charitable remainder trusts and pooled income funds is valued based on the actuarial expected lives of beneficiaries normally using 6% as the interest rate basis to determine present value.

Tuition, Fees and Auxiliary Services

Tuition, fees and auxiliary services are recognized as revenues when earned.

Notes Receivable

Notes receivable consist of junior mortgage loans to faculty and staff members collateralized by their primary residence. Most loans do not require the payment of annual interest. Rather, interest is calculated and paid based on the shared appreciation on the underlying property, but limited to no more than 9% per annum. Certain loans are written for 10-year terms with adjustable interest rates ranging from 4% to 5% per annum.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE A – ORGANIZATIONAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Beneficial Interest in Charitable Remainder Trust

Charitable remainder trusts were valued based on the actuarial expected lives of beneficiaries present valued using a 6% discount rate.

Income Tax Status

The Seminary is exempt from income taxes under Section 501(c)(3) and 509(a)(1) of the Internal Revenue Code (IRC).

Derivative Instruments and Hedging Activities

Generally accepted accounting principles (GAAP) require that every derivative instrument be recorded in the balance sheet as either an asset or a liability measured at its fair value. Not-for-Profit Organizations shall recognize the gain or loss on a hedging instrument and a non-hedging derivative instrument as a change in net assets in the period of change unless the hedging instrument is designated as a hedge of the foreign currency exposure of a net investment in a foreign operation.

The interest rate swap contract entered into in May 2006 represents the Seminary's only derivative financial instrument.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Management believes the most significant of those estimates are the allowances for valuation investments, valuation of accounts and pledges receivables, valuation of split-interest agreements, depreciable lives and salvage values of buildings and equipment, the fair value of the interest rate swap agreement, and the functional allocation of expenses. Actual results could differ from those estimates.

Non-operating Activities

Non-operating activities include all temporarily and permanently restricted contribution revenue, the investment return in excess of amounts appropriated for current operations and miscellaneous non-recurring income.

Functional Expense Allocation

Costs, including depreciation expense, have been allocated to functions based on percentage of effort, usage, square footage and other criteria.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE A – ORGANIZATIONAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is at least reasonably possible that changes in the near term would materially affect the amounts reported in the statements of financial position and activities.

NOTE B – PLEDGES RECEIVABLE

Pledges receivable consists of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Pledges receivable	\$ 1,776,264	\$ 1,290,324
Less: present value discount	<u>403,900</u>	<u>298,100</u>
Net pledges receivable	<u>\$ 1,372,364</u>	<u>\$ 992,224</u>

Expected payments on pledges are as follows at June 30, 2010:

2011	\$ 383,086
2012	197,726
2013	197,726
2014	197,726
Future years	<u>800,000</u>
Total pledges receivables	1,776,264
Less net present value discount (6%)	<u>403,900</u>
Net pledges receivable	<u>\$ 1,372,364</u>

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 2,292,411	\$ 2,292,411
Building and improvements	43,900,901	43,610,851
Furniture and improvements	<u>5,848,069</u>	<u>5,553,868</u>
	52,041,381	51,457,130
Less accumulated depreciation	<u>17,632,197</u>	<u>16,450,761</u>
Total	<u>\$ 34,409,184</u>	<u>\$ 35,006,369</u>

NOTE D – INVESTMENTS

Investments consisted of the following at June 30:

	<u>2010</u>		<u>2009</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Pooled assets:				
Cash and cash equivalents	\$ 905,736	\$ 905,736	\$ 5,283,142	\$ 5,283,142
Equity investments	23,233,646	22,641,655	16,253,264	17,463,938
Corporate bonds and notes	1,340,104	1,256,929	1,991,847	1,940,340
U.S. Government and government agency securities	<u>116,341</u>	<u>113,939</u>	<u>618,807</u>	<u>621,692</u>
	<u>25,595,827</u>	<u>24,918,259</u>	<u>24,147,060</u>	<u>25,309,112</u>
Nonpooled assets:				
Cash and cash equivalents	887,789	887,789	2,322,035	2,322,035
Equity investments	10,244,675	9,698,043	7,163,475	7,327,119
Corporate bonds and notes	994,306	890,828	984,350	911,018
U.S. Government and government agency securities	9,290	9,048	455,731	459,106
Other	<u>459,584</u>	<u>459,584</u>	<u>437,929</u>	<u>437,929</u>
	<u>12,595,644</u>	<u>11,945,292</u>	<u>11,363,520</u>	<u>11,457,207</u>
	<u>\$ 38,191,471</u>	<u>\$ 36,863,551</u>	<u>\$ 35,510,580</u>	<u>\$ 36,766,319</u>

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE D – INVESTMENTS – Continued

Corporate bonds and notes and U.S. Government and agency securities have varying maturities through 2030.

Investment income (loss) is comprised of the following for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 916,984	\$ 1,191,971
Net market gain (loss) on investments	<u>2,963,061</u>	<u>(7,414,783)</u>
Total investment income (loss) earned	3,880,045	(6,222,812)
Less: investment income appropriated for operations	<u>1,947,605</u>	<u>2,078,431</u>
Investment gain (loss) net of funds appropriated for operations	<u>\$ 1,932,440</u>	<u>\$ (8,301,243)</u>

NOTE E – ENDOWMENT**General**

The Seminary's endowment consists of two major endowment accounts. The largest account is a pooled fund of approximately 100 individual funds established for a variety of purposes almost all of which is donor restricted. As required by GAAP, the net assets associated with the pooled endowment funds are normally classified as follows: (1) the original gift corpus is classified as permanently restricted funds and (2) the unused accumulated appreciation is recorded as temporarily restricted funds. Due to the extraordinary market conditions experienced during the fiscal year ended June 30, 2009, a significant number of the endowment account net asset values fell below the original gift corpus (i.e., "underwater accounts"). The total "underwater" accounts were \$1,360,658 in 2010 and \$1,775,432 in 2009. For the year ended June 30, 2010, these "underwater accounts" realized capital gains of \$414,774 which were recorded in unrestricted funds. In future years, if these specific accounts appreciate in value, those capital gains will be recorded in the unrestricted funds until the accounts are equal to the original gift corpus value.

The other major endowment fund was established as a separate account because of unique donor restrictions requiring that all capital gains be accumulated as additions to the original gift corpus – with only dividends and interest appropriated for operations. The net assets of this unique endowment account are classified as permanently restricted.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE E – ENDOWMENT – Continued

Interpretation of Relevant Law

The Seminary follows the general provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Commonwealth of Massachusetts on July 2, 2010. The method by which the Seminary classifies endowment net assets is in conformity with the UPMIFA legislation.

In managing and investing the endowment funds, the Seminary Board considers the following, along with other factors not listed:

1. The investment policies of the Seminary;
2. General economic conditions;
3. The possible effect of inflation or deflation;
4. The total expected return from income and the appreciation of investments;
5. The resources of the Seminary;
6. The needs of the Seminary and the fund to make distributions and to preserve capital;
7. An assets special relationship or special value, if any, to the charitable purposes of the Seminary.

These practices are consistent with UPMIFA.

Spending Policy

The Seminary's Board utilizes an Investment Committee to develop and adopt investment and spending policies that are approved and periodically reviewed by the entire Board. As deemed prudent and not in violation of specific endowment restrictions, the Investment Committee has adopted a general guideline of spending 5% of a three year moving market value average (calculated as of the prior three fiscal year ends) of its pooled endowment funds. As there may be special circumstances requiring a higher percentage level of spending from endowment assets in order to assure the short-term economic health of the Seminary, the Investment Committee is authorized, with the approval of the Finance Committee and the Board of Trustees, to increase the spending rate as necessary, but not so as to be in violation of fund restrictions and/or the laws of Massachusetts.

Due to the needs of the Seminary's operating budget, the Board appropriated 5% of the total return valuation calculation for all pooled accounts, even those "underwater" as of June 30, 2010 and 2009.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE E – ENDOWMENT – Continued

Over the long-term, the Seminary's objective is to provide a reliable revenue stream for operations but also to maintain the purchasing power of the endowment assets held in perpetuity. The Seminary's goal is to provide real growth through new gifts and investment return in excess of funds appropriated for operations. In order to ensure a reliable revenue stream for operations, the Board has determined that the total return method at the 5% spending rule will be generally used for all accounts except those requiring special distribution methods based on unique donor restrictions.

Return Objectives, Strategies for Achieving Objectives and Risk Parameters

The investment policies are designed to maintain the purchasing power of the endowment funds while providing for a reliable revenue stream for operations through a prudent spending policy. To satisfy its long-term rate-of-return objectives, the Seminary relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (dividends and interest). Therefore the asset mix of the endowment funds and other investments are reviewed and adjusted periodically by the Investment Committee in order to achieve the Seminary's investment objectives. In its investment decisions the Seminary maintains a prudent investment posture with an appropriate emphasis on portfolio quality. The Seminary's policies refrain from speculation and by prudent management prevent exposure to undue and unnecessary risk.

Guidelines on the percentage of long-term debt and equity securities holdings are defined from time to time by the Investment Committee in response to changing market conditions and in accordance with the overall income and capital appreciation objectives of the endowment accounts. The portfolio shall consist of securities representing a reasonable diversification of economic groupings and industry representations. Investment in the securities of any one corporation shall not be in excess of 2% of the total issued and outstanding securities of the corporation. Investment in the common stock of a single corporation shall not be in excess of 5% of the total market value of the equity assets under management. Investment in debt obligations of a single issuer shall not be in excess of 5% of the total market value of the fixed income assets under management, with the exception of Treasuries and other instrumentalities of the U.S. Government.

By policy, the following transactions are prohibited without written approval of the Investment Committee, including such things as (1) making short sales, naked option writing or over-writing programs; (2) entering into margin purchases or other forms of stock borrowing; (3) buying privately placed or other non-marketable securities; (4) buying common stocks not listed on the New York or American Stock Exchanges or NASDAQ (over-the-counter markets); (5) buying options, including the purchase, sale or writing of options unless such options are "covered" by equity or debt securities; (6) investing in commodities or futures; or (7) making venture capital investments.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE E – ENDOWMENT – Continued

Based on cash flow requirements for operations, the Seminary utilizes the endowment fund for working capital needs rather than the use of an external “line of credit” loan. At June 30, 2010 and 2009, these loans totaled \$3,812,528 and \$4,911,467 respectively. At June 30, 2010 and 2009, these loans were collateralized in part by the Seminary’s interest in a trust whose future use is unrestricted. At June 30, 2010, the trust had a fair value of \$1,503,647 and \$1,501,269, respectively.

Endowment Net Asset Composition by Type of Fund

As of June 30, 2010, the endowment net asset composition was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds:				
Pooled funds	\$ -	\$ 2,731,585	\$ 30,299,429	\$ 33,031,014
Nonpooled funds	-	-	8,948,160	8,948,160
Board-designated funds	<u>(574,338)</u>	<u>-</u>	<u>-</u>	<u>(574,338)</u>
Total funds	\$ <u>(574,338)</u>	\$ <u>2,731,585</u>	\$ <u>39,247,589</u>	\$ <u>41,404,836</u>

As of June 30, 2009, the endowment net asset composition was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds:				
Pooled funds	\$ -	\$ 2,443,433	\$ 30,232,209	\$ 32,675,642
Nonpooled funds	-	-	8,258,264	8,258,264
Board-designated funds	<u>(1,314,869)</u>	<u>-</u>	<u>-</u>	<u>(1,314,869)</u>
Total funds	\$ <u>(1,314,869)</u>	\$ <u>2,443,433</u>	\$ <u>38,490,473</u>	\$ <u>39,618,737</u>

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE E – ENDOWMENT – Continued

At June 30, 2010, investments of \$38,191,471 included \$34,416,787 in endowment investments and \$3,774,684 related to investments in annuities, trusts and charitable remainder unitrust (CRUT) agreements for which the Seminary is the trustee. At June 30, 2009, investments of \$35,510,580 included \$31,986,295 in endowment investments and \$3,524,285 related primarily to investments in annuities, trusts and charitable remainder unitrust agreements for which the Seminary is the trustee. At June 30, 2010, total endowment net assets of \$41,404,836 consisted of \$35,323,447 in endowment investments funds and available annuity investments owed to the endowment, \$2,268,861 in notes receivable collateralized by home mortgages, and \$3,812,528 in interfund loans for working capital. At June 30, 2009, endowment net assets of \$39,618,737 consisted of \$34,818,409 in endowment investments and available annuity investments owed to the endowment, \$1,888,861 in notes receivable collateralized by home mortgages, and \$4,911,467 in interfund loans for working capital.

Endowment Related Activities

For the fiscal year ended June 30, 2010, the Seminary had the following endowment related activities:

	Donor- Restricted Endowment Funds	Board Designated Endowment Funds	Total
Investment returns:			
Investment income	\$ 871,702	\$ -	\$ 871,702
Net capital gains	<u>2,080,411</u>	<u>529,525</u>	<u>2,609,936</u>
Total investment gain	2,925,113	529,525	3,481,638
Contributions to perpetual endowment	78,556	50,000	128,556
Amounts appropriated for expenditure	(1,947,605)	(66,097)	2,013,702
Other transfers	<u>(37,496)</u>	<u>227,103</u>	<u>189,607</u>
Total changes in endowment funds	\$ <u>1,045,568</u>	\$ <u>740,531</u>	\$ <u>1,786,099</u>

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE E – ENDOWMENT – Continued

For the fiscal year ended June 30, 2009, the Seminary had the following endowment related activities:

	Donor- Restricted Endowment <u>Funds</u>	Board Designated Endowment <u>Funds</u>	<u>Total</u>
Investment returns:			
Investment income	\$ 1,026,925	\$ 21,153	\$ 1,048,078
Net capital losses	<u>(6,839,849)</u>	<u>(168,325)</u>	<u>(7,008,174)</u>
Total investment loss	(5,812,924)	(147,172)	(5,959,096)
Transfer of capital losses for “underwater” endowment accounts	1,686,970	(1,686,970)	-
Contributions to perpetual endowment	1,069,547	-	1,069,547
Amounts appropriated for expenditure	<u>(2,055,998)</u>	<u>(22,449)</u>	<u>(2,078,447)</u>
Total changes in endowment funds	<u>\$ (5,112,405)</u>	<u>\$ (1,856,591)</u>	<u>\$ (6,968,996)</u>

Changes in Endowment Net Assets

For the fiscal year ended June 30, 2010, the following activities resulted in the change in net assets by fund:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Net assets – beginning of year	\$ (1,314,869)	\$ 2,443,433	\$ 38,490,173	\$ 39,618,737
Investment return:				
Investment income	-	871,702	-	871,702
Net capital gains	-	1,401,551	678,860	2,080,411
Net capital appreciation for “underwater” accounts	<u>529,525</u>	<u>-</u>	<u>-</u>	<u>529,525</u>
Total investment gains	529,525	2,273,253	678,860	3,481,638
Contributions	50,000	-	78,556	128,556
Appropriated for operations	(66,097)	(1,947,605)	-	(2,013,702)
Other transfers	<u>227,103</u>	<u>(37,496)</u>	<u>-</u>	<u>189,607</u>
Net assets – end of year	<u>\$ (574,338)</u>	<u>\$ 2,731,585</u>	<u>\$ 39,247,589</u>	<u>\$ 41,404,836</u>

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE E – ENDOWMENT – Continued

For the fiscal year ended June 30, 2009, the following activities resulted in the change in net assets by fund:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets – beginning of year	\$ 541,722	\$ 7,115,790	\$ 38,930,221	\$ 46,587,733
Investment return:				
Investment income	21,153	1,026,925	-	1,048,078
Net capital losses	(168,325)	(3,643,284)	(1,509,595)	(5,321,204)
Net capital losses for “underwater” accounts	<u>(1,686,970)</u>	<u>-</u>	<u>-</u>	<u>(1,686,970)</u>
Total investment losses	(1,834,142)	(2,616,359)	(1,509,295)	(5,960,096)
Contributions	-	-	1,069,547	1,069,547
Appropriated for operations	<u>(22,449)</u>	<u>(2,055,998)</u>	<u>-</u>	<u>(2,078,447)</u>
Net assets – end of year	\$ <u>(1,314,869)</u>	\$ <u>2,443,433</u>	\$ <u>38,490,173</u>	\$ <u>39,618,737</u>

NOTE F - FAIR VALUE MEASUREMENTS AND DISCLOSURES

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data. The interest rate swap liability is based on mid-market, benchmark levels of swap transactions, which is the best estimate of the actual value of the transaction, were it to be terminated on the referenced date.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE F - FAIR VALUE MEASUREMENTS AND DISCLOSURES – Continued

Level 3: Significant unobservable inputs that reflect the Seminary's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets and liabilities measured at fair value are summarized below.

	Fair Value Measurements at June 30, 2010, Using			
	June 30, 2010	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Market approach</u>				
Recurring basis				
Assets:				
Beneficial interest in CRUT Investments	\$ 2,487,760	\$ -	\$ 2,487,760	\$ -
Pooled:				
Cash and cash equivalents	905,736	905,736	-	-
Equity investments	23,233,646	23,233,646	-	-
Corporate bonds and notes	1,340,104	-	1,340,104	-
U.S. Government and government agency securities	116,341	-	116,341	-
Nonpooled:				
Cash and cash equivalents	887,789	887,789	-	-
Equity investments	10,244,675	10,244,675	-	-
Corporate bonds and notes	994,306	-	994,306	-
U.S. Government and government agency securities	9,290	-	9,290	-
Other	459,584	459,584	-	-
Liabilities:				
Interest rate swap	104,005	-	104,005	-
Annuities payable and trust obligations	1,816,844	-	1,816,844	-
Nonrecurring basis				
Assets:				
Pledges receivable	1,372,364	-	1,372,364	-

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE F – FAIR VALUE MEASUREMENTS AND DISCLOSURES – Continued

	Fair Value Measurements at June 30, 2009, Using			
	June 30, 2009	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Market approach</u>				
Recurring basis				
Assets:				
Beneficial interest in CRUT	\$ 2,414,346	\$ -	\$ 2,414,346	\$ -
Investments				-
Pooled:				
Cash and cash equivalents	5,283,142	5,283,142	-	-
Equity investments	16,253,264	16,253,264	-	-
Corporate bonds and notes	1,991,847	-	1,991,847	-
U.S. Government and government agency securities	618,807	-	618,807	-
Nonpooled:				
Cash and cash equivalents	2,322,035	2,322,035	-	-
Equity investments	7,163,475	7,163,475	-	-
Corporate bonds and notes	984,350	-	984,350	-
U.S. Government and government agency securities	455,731	-	455,731	-
Other	437,929	437,929	-	-
Liabilities:				
Interest rate swap	101,940	-	101,940	-
Annuities payable and trust obligations	1,662,640	-	1,662,640	-
Nonrecurring basis				
Assets				
Pledges receivable	992,224	-	992,244	-

The Seminary's financial instruments consist of cash and cash equivalents, accounts receivable and payable, student loans receivable, pledges receivable, beneficial interest in charitable reminder trust, investments, accrued expenses and other current liabilities, notes payable, an interest rate swap, annuity and trust obligations, and U.S. government loan advances. The fair values of all financial instruments approximate their carrying values.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions consisted of the following for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Academic and general	\$ 842,864	\$ 597,090
Sponsored academic projects	156,440	139,554
Operations and maintenance	505,469	96,269
Financial aid	<u>201,965</u>	<u>196,506</u>
Net assets released from restrictions - operations	1,706,738	1,029,419
Net assets released from restrictions appropriated for capital expenditures and other non-operating purposes	<u>170,148</u>	<u>96,137</u>
Total	<u>\$ 1,876,886</u>	<u>\$ 1,125,556</u>

Temporarily restricted net assets consist of the following at June 30:

	<u>2010</u>	2009
Unspent endowment gains:		
Academic and general	\$ 2,263,791	\$ 2,158,327
Financial aid	461,559	279,391
Endowment income unrestricted	<u>6,235</u>	<u>5,716</u>
	<u>2,731,585</u>	<u>2,443,434</u>
Gifts restricted for purpose	2,923,853	1,730,443
Trust restricted as to time	1,503,647	1,501,269
Gifts restricted for capital purchases	<u>196,087</u>	<u>189,955</u>
	<u>4,623,587</u>	<u>3,421,667</u>
Total	<u>\$ 7,355,172</u>	<u>\$ 5,865,101</u>

Unspent endowment gains are classified as temporarily restricted until the Seminary appropriates and spends such sums in accordance with the underlying endowment funds, at which time, they will be classified as net assets released from restrictions. See Note A.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE H – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Endowment and trust funds whose income is restricted for:		
Academic and general	\$ 23,580,232	\$ 22,806,556
Financial aid	17,984,946	17,860,526
Operations and maintenance	<u>18,899</u>	<u>18,899</u>
Total	41,584,077	40,685,981
 Endowment and trust funds whose income is unrestricted	 <u>144,866</u>	 <u>149,727</u>
 Total	 <u>\$ 41,728,943</u>	 <u>\$ 40,835,708</u>

NOTE I – OBLIGATION UNDER CAPITAL LEASES

The Seminary periodically enters into leases for other equipment meeting the criteria for capital lease treatment for financial reporting purposes. During fiscal years 2010 and 2009, the Seminary acquired additional equipment through capital leases of \$66,354 and \$29,325, respectively. Future minimum payments under capitalized leases are as follows:

Year ending	
<u>June 30,</u>	
2011	\$ 184,145
2012	139,035
2013	<u>23,032</u>
Total minimum lease payments	346,212
Less: Amounts representing interest	<u>21,712</u>
 Present value of net minimum lease payments	 <u>\$ 324,500</u>

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE J – NOTES PAYABLE AND INTEREST RATE SWAP AGREEMENT

On December 28, 2005, the Seminary entered into a ten year loan agreement with a bank to refinance a prior loan used for the purchase and renovation of its new Center for Urban Ministerial Education (CUME) building in Roxbury, Massachusetts. During the fiscal year 2007, the Seminary obtained an additional advance from the bank in the amount of \$700,000, bringing the aggregate original advance to \$2,898,896. This loan is secured by a mortgage on the CUME building. The Seminary has the choice of either the prime rate minus 0.50% or the 30, 60, or 90 day LIBOR plus 1.00% floating. Principal payments commenced in May 2006 in the combined monthly amount of \$18,402 and were adjusted to a total monthly amount of \$25,133 after the additional \$700,000 advance. Payments are due on the first day of each month through December 1, 2015, with a final balloon payment of any then outstanding balance of principal and interest on December 28, 2015. The outstanding loan balance was \$1,842,090 and \$2,141,615 at June 30, 2010 and 2009, respectively.

Maturities of notes payable are as follows:

Year ending
June 30,

2011	\$	301,590
2012		301,590
2013		301,590
2014		301,590
2015		301,590
Thereafter		<u>230,135</u>
Notes payable		1,738,085
Swap agreement liability		<u>104,005</u>
Notes payable and swap liability	\$	<u><u>1,842,090</u></u>

On May 2, 2006, the Seminary entered into an interest rate swap agreement designed to manage interest rate exposure in a rising rate environment. The swap agreement expires on December 28, 2015 and has a fixed rate of 6.23%. The original notional amount was \$1,593,000. The swap resulted in an estimated liability of \$104,005 and \$101,940 as of June 30, 2010 and 2009, respectively, which is included in total notes payable on the statement of financial position. The change in the estimated fair value of the interest rate swap agreement is included in non-operating activities in the accompanying statement of activities.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE K – OPERATING LEASES

The Seminary leases certain equipment under operating lease arrangements that expire at various dates through 2014. Lease expense was \$179,428 and \$142,281 for the years ended June 30, 2010 and 2009, respectively. Minimum future rentals under noncancelable leases are as follows:

Year ending June 30,

2011	\$	165,657
2012		155,276
2013		76,029
2014		<u>1,678</u>
Total minimum future rental payments	\$	<u>398,640</u>

NOTE L – EMPLOYEE BENEFIT

The Seminary's Retirement Plan is a defined contribution plan that operates under Section 403(b) of the IRC. The purpose of the plan is to provide retirement benefits for participating employees. Benefits are provided through the fund sponsors. Teachers Insurance and Annuity Association (TIAA), provides a traditional annuity and variable annuity through its real estate account, and College Retirement Equities Fund, which is TIAA's companion institution, provides variable annuities. All eligible employees may elect to participate in the plan and receive contributions based upon a percentage of their base compensation.

Normally, the Seminary makes a basic contribution of 6% of eligible compensation on behalf of eligible employees. The Seminary also may make a matching contribution of 2% of eligible compensation on behalf of eligible employees if an employee elects to make a voluntary 2% salary reduction contribution. Contributions may not exceed the limits imposed by the IRC. Employee participants are fully and immediately vested in the benefit arising from all contributions made under this plan.

Due to budget constraints, the Seminary made no pension contributions for the year ended June 30, 2010, and eliminated contributions into the retirement for the final seven months of the year ended June 30, 2009. As a result, retirement plan expenses were \$0 and \$242,640 for the years ended June 30, 2010 and 2009, respectively.

NOTE M – SUBSEQUENT EVENTS

For the purposes of the presentation of these financial statements in conformity with GAAP, management has considered transactions or events occurring through September 27, 2010 which is the date that the financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.
