

GORDON CONWELL



THEOLOGICAL SEMINARY

Review of Audited Financial Statements

Audit Report

Gordon-Conwell Theological Seminary recently completed its FY2020 audit and received a clean unmodified opinion, with no audit findings or issues.

Statement of Financial Position

In the Statement of Financial Position - Total Net Assets increased by almost \$800,000. This was primarily due to increased restricted donor giving, which increased Net Assets With Donor Restrictions by \$1.7 million. Net Assets Without Donor Restrictions decreased by just under \$1.0 million, which was primarily due to decreases in net tuition and auxiliary enterprises.

Investments

The balance of investments remained virtually unchanged at \$56.9 million. Considering the market fluctuations during the year due to the pandemic and the regular annual endowment distribution to operations, this was better than expected. It should also be noted that the endowment spend rate was reduced from 4.8% in 2019 to 4.7% in 2020.

Line of Credit

The Line of Credit was increased from \$5.0 million to \$8.5 million in available borrowing capacity during the year. The balance of the Line of Credit as of the end of FY2020 was \$5,750,000, an increase of \$1.8 million from the prior year. The cash position and line of credit are managed weekly through a very detailed analysis of anticipated deposits, outstanding checks, and projected accounts payable.

Endowment Interfund Borrowing

The balance of the endowment interfund borrowing was reduced from \$4.9 million to \$3.6 million, continuing the positive recent trend of reducing the endowment interfund borrowing incrementally each year.

Statement of Activities - Revenue

Revenue decreased in total by almost \$2.0 million in 2020, however, most of this decrease came from a reduction in net investment income compared to the prior year. Revenue Without Donor Restrictions compared to prior year increased by \$2.2 million, which was due to an increase in private gifts and grants and government funding, both of which are described below.

Tuition

Net Tuition decreased by almost \$470,000 (-5%) because of enrollment declines. Some of this was COVID related, however, we continue to focus on overall admissions efforts and program delivery flexibility across all of the seminary's programs.

Discount Rate

The total discount rate for Gordon-Conwell has remained very consistent, only varying by a fraction of a percentage point over the last few years. A 45% discount rate, coupled with the tuition rate, keeps net tuition in line with other schools that represent the seminary's primary competition for students.

Private Gifts

Private gifts and grants increased by almost \$1.8 million. This reflects two specific fundraising efforts: 1) a special “mini-campaign” to support President Sunquist’s first year as president (\$1.2 million); and 2) a significant endowment pledge (\$3 million) for a key leadership position. Gifts with donor restrictions net of the new endowment pledge did decrease.

Government Funds

In May 2020, the Seminary received a \$2.7 million Paycheck Protection Program (PPP) loan and was able to use half of it to retain staff in May/June 2020. The remaining funds will be used to cover payroll expenses in July/August 2020. In addition, the Seminary was awarded approx. \$500,000 in HEERF I funding, which will be used in 2021 for both student awards and qualifying institutional purposes.

Net Assets Released

Net assets released from restrictions for operations increased slightly by approx. \$108,000.

Statement of Activities - Expenses

Expenses decreased in total by \$1.8 million in 2020.

Salaries & Benefits

Salaries and benefits were reduced by \$675,000 (-4%) in FY2020. This was primarily due to turnover and unfilled positions. There were limited reductions and retirements, however, the resulting savings will not be seen until FY2021.

Other Expenses

Cost containment and reduction in travel reduced non-personnel expenses by \$1.1 million.

DOE Ratio

Due to favorable financial results in FY2020, the seminary’s Department of Education Composite Score is expected to be 1.9, well above 1.5, which is described as the “minimal level of resources to indicate financial health”. This reflects a strong recovery from FY2019, when the Composite Score was 0.7.

Overall

FY2020 financial results were much better than FY2019. However, considering the ongoing pandemic, there are many areas that need to be focused on to ensure future sustainability.