

GORDON CONWELL

THEOLOGICAL SEMINARY

FINANCIAL STATEMENTS

June 30, 2023 and 2022

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gordon-Conwell Theological Seminary, Inc.

Opinion

We have audited the accompanying financial statements of Gordon-Conwell Theological Seminary, Inc. (the Seminary), which comprise the statement of financial position as of 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Seminary as of 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). 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 Seminary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 U.S. GAAP, 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 Seminary's ability to continue as a going concern within one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for 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 U.S. GAAS 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 U.S. 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 Seminary'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 Seminary'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.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 29, 2023

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Statements of Financial Position

2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,188,697	\$ 864,595
Accounts receivable (less allowance of \$1,025,176 in 2023 and \$825,684 in 2022)	2,041,809	2,342,555
Student loans receivable	283,174	341,587
Pledges receivable (less present value discount and allowance of \$267,406 in 2023 and \$448,852 in 2022), at fair value	1,466,994	2,906,748
Prepaid expenses and other	805,111	816,631
Notes receivable	1,693,100	1,743,100
Beneficial interest in charitable remainder trusts	3,697,051	3,479,448
Investments	64,110,603	59,990,965
Land, buildings and equipment, net	<u>32,156,175</u>	<u>33,411,720</u>
Total assets	<u>\$107,442,714</u>	<u>\$105,897,349</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 951,364	\$ 868,910
Accrued payroll and employee benefits	785,073	848,099
Deferred income and student deposits	1,377,233	1,284,364
Line of credit	4,900,000	4,100,000
Notes payable	2,847,277	3,044,057
Annuities payable and trust obligations	2,139,422	2,260,168
Advances from government for federal student loans	<u>308,439</u>	<u>356,908</u>
Total liabilities	<u>13,308,808</u>	<u>12,762,506</u>
Net assets		
Without donor restrictions	15,324,832	16,834,028
With donor restrictions	<u>78,809,074</u>	<u>76,300,815</u>
Total net assets	<u>94,133,906</u>	<u>93,134,843</u>
Total liabilities and net assets	<u>\$107,442,714</u>	<u>\$105,897,349</u>

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

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Statement of Activities

**Year Ended 2023
(With Comparative Totals for the Year Ended June 30, 2022)**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains and other support				
Student tuition and fees, net of student aid of \$6,778,672 in 2023 and \$6,841,298 in 2022	\$ 7,776,364	\$ -	\$ 7,776,364	\$ 8,089,487
Private gifts and grants	3,653,004	4,333,253	7,986,257	6,840,945
Government grants and contracts	296,475	-	296,475	1,684,906
Auxiliary enterprises	2,326,244	-	2,326,244	2,215,759
Other income	1,264,894	-	1,264,894	282,857
Net appreciation (depreciation) in fair value of investments, net of endowment support for operations	234,619	1,775,403	2,010,022	(9,358,371)
Change in value of trusts and annuities payable	(13,689)	110,400	96,711	(94,166)
Net assets released from restrictions for operations	3,674,634	(3,674,634)	-	-
Net assets released from restrictions appropriated for capital purposes	36,163	(36,163)	-	-
Endowment support for operations	<u>2,941,919</u>	<u>-</u>	<u>2,941,919</u>	<u>2,958,197</u>
Total revenues, gains and other support	<u>22,190,627</u>	<u>2,508,259</u>	<u>24,698,886</u>	<u>12,619,614</u>
Expenses				
Salaries and wages	11,483,287	-	11,483,287	11,478,963
Employee benefits	<u>1,917,221</u>	<u>-</u>	<u>1,917,221</u>	<u>1,667,361</u>
Total salaries, wages and benefits	13,400,508	-	13,400,508	13,146,324
Services purchased	3,414,208	-	3,414,208	2,983,244
Occupancy and maintenance	2,160,702	-	2,160,702	1,790,597
Office expense, travel and other	2,722,299	-	2,722,299	2,838,760
Depreciation	1,351,150	-	1,351,150	1,369,298
Interest	<u>650,956</u>	<u>-</u>	<u>650,956</u>	<u>444,574</u>
Total expenses	<u>23,699,823</u>	<u>-</u>	<u>23,699,823</u>	<u>22,572,797</u>
Change in net assets	(1,509,196)	2,508,259	999,063	(9,953,183)
Net assets, beginning of year	<u>16,834,028</u>	<u>76,300,815</u>	<u>93,134,843</u>	<u>103,088,026</u>
Net assets, end of year	<u>\$ 15,324,832</u>	<u>\$ 78,809,074</u>	<u>\$ 94,133,906</u>	<u>\$ 93,134,843</u>

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

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Statement of Activities

Year Ended June 30, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Student tuition and fees, net of student aid of \$6,841,298	\$ 8,089,487	\$ -	\$ 8,089,487
Private gifts and grants	3,709,344	3,131,601	6,840,945
Government grants and contracts	1,684,906	-	1,684,906
Auxiliary enterprises	2,215,759	-	2,215,759
Other income	278,607	4,250	282,857
Depreciation in fair value of investments, net of endowment support for operations	(597,137)	(8,761,234)	(9,358,371)
Change in value of trusts and annuities payable	(26,327)	(67,839)	(94,166)
Net assets released from restrictions for operations	3,110,014	(3,110,014)	-
Net assets released from restrictions appropriated for capital purposes	53,631	(53,631)	-
Endowment support for operations	<u>2,958,197</u>	<u>-</u>	<u>2,958,197</u>
Total revenues, gains and other support	<u>21,476,481</u>	<u>(8,856,867)</u>	<u>12,619,614</u>
Expenses			
Salaries and wages	11,478,963	-	11,478,963
Employee benefits	<u>1,667,361</u>	<u>-</u>	<u>1,667,361</u>
Total salaries, wages and benefits	13,146,324	-	13,146,324
Services purchased	2,983,244	-	2,983,244
Occupancy and maintenance	1,790,597	-	1,790,597
Office expense, travel and other	2,838,760	-	2,838,760
Depreciation	1,369,298	-	1,369,298
Interest	<u>444,574</u>	<u>-</u>	<u>444,574</u>
Total expenses	<u>22,572,797</u>	<u>-</u>	<u>22,572,797</u>
Change in net assets	(1,096,316)	(8,856,867)	(9,953,183)
Net assets, beginning of year	<u>17,930,344</u>	<u>85,157,682</u>	<u>103,088,026</u>
Net assets, end of year	<u>\$ 16,834,028</u>	<u>\$ 76,300,815</u>	<u>\$ 93,134,843</u>

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

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Statement of Functional Expenses

**Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)**

	Program Activities				Support Activities			<u>Total</u>	<u>2022</u>
	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Auxiliary Enterprises</u>	<u>Facilities Operation & Maintenance</u>	<u>Institutional Support</u>	<u>Fundraising</u>		
Salaries and wages	\$4,499,316	\$1,893,942	\$1,649,886	\$ 164,652	\$ 685,206	\$ 1,909,779	\$ 680,506	\$11,483,287	\$11,478,963
Employee benefits	<u>634,280</u>	<u>396,623</u>	<u>272,910</u>	<u>22,223</u>	<u>123,850</u>	<u>365,363</u>	<u>101,972</u>	<u>1,917,221</u>	<u>1,667,361</u>
Total salaries, wages and benefits	5,133,596	2,290,565	1,922,796	186,875	809,056	2,275,142	782,478	13,400,508	13,146,324
Services purchased	493,618	514,130	36,117	586,549	841,006	914,550	28,238	3,414,208	2,983,244
Occupancy and maintenance	19,523	17,760	9,669	641,920	1,454,868	13,020	3,942	2,160,702	1,790,597
Office expense, travel and other	692,051	759,238	125,904	58,148	65,578	830,206	191,174	2,722,299	2,838,760
Depreciation	311,794	82,375	37,951	333,495	118,196	467,339	-	1,351,150	1,369,298
Interest	<u>-</u>	<u>613,027</u>	<u>-</u>	<u>-</u>	<u>37,929</u>	<u>-</u>	<u>-</u>	<u>650,956</u>	<u>444,574</u>
	6,650,582	4,277,095	2,132,437	1,806,987	3,326,633	4,500,257	1,005,832	23,699,823	22,572,797
Facilities operation & maintenance allocation	<u>655,415</u>	<u>484,755</u>	<u>92,079</u>	<u>1,943,778</u>	<u>(3,326,633)</u>	<u>150,606</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$7,305,997</u>	<u>\$4,761,850</u>	<u>\$2,224,516</u>	<u>\$ 3,750,765</u>	<u>\$ -</u>	<u>\$ 4,650,863</u>	<u>\$ 1,005,832</u>	<u>\$23,699,823</u>	<u>\$22,572,797</u>

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

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Activities				Support Activities			Total
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Facilities Operation & Maintenance	Institutional Support	Fundraising	
Salaries and wages	\$ 4,874,425	\$ 1,890,746	\$ 1,590,926	\$ 208,140	\$ 663,169	\$ 1,686,685	\$ 564,872	\$ 11,478,963
Employee benefits	<u>506,812</u>	<u>316,837</u>	<u>280,123</u>	<u>33,156</u>	<u>126,308</u>	<u>284,966</u>	<u>119,159</u>	<u>1,667,361</u>
Total salaries, wages and benefits	5,381,237	2,207,583	1,871,049	241,296	789,477	1,971,651	684,031	13,146,324
Services purchased	410,679	248,729	76,755	592,620	803,315	794,524	56,622	2,983,244
Occupancy and maintenance	24,639	16,595	10,162	485,755	1,233,595	16,112	3,739	1,790,597
Office expense, travel and other	1,067,256	450,891	144,817	94,145	76,587	825,539	179,525	2,838,760
Depreciation	331,624	82,671	38,001	363,768	111,495	441,739	-	1,369,298
Interest	<u>-</u>	<u>406,756</u>	<u>-</u>	<u>-</u>	<u>37,818</u>	<u>-</u>	<u>-</u>	<u>444,574</u>
	7,215,435	3,413,225	2,140,784	1,777,584	3,052,287	4,049,565	923,917	22,572,797
Facilities operation & maintenance allocation	<u>601,363</u>	<u>444,777</u>	<u>84,485</u>	<u>1,783,475</u>	<u>(3,052,287)</u>	<u>138,187</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 7,816,798</u>	<u>\$ 3,858,002</u>	<u>\$ 2,225,269</u>	<u>\$ 3,561,059</u>	<u>\$ -</u>	<u>\$ 4,187,752</u>	<u>\$ 923,917</u>	<u>\$ 22,572,797</u>

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

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Statements of Cash Flows

Years Ended 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Cash received from student tuition and fees	\$ 7,830,733	\$ 7,376,373
Cash received from donors	6,646,256	6,408,685
Cash collected from auxiliary enterprises	2,325,937	2,177,647
Cash collected from government grants and contracts	320,287	1,277,332
Interest and dividend income	1,596,329	1,304,436
Miscellaneous receipts	1,266,224	510,056
Cash paid to employees	(13,466,214)	(13,347,977)
Cash paid to vendors	(7,848,058)	(7,955,991)
Interest paid	(623,670)	(350,897)
	<u>(1,952,176)</u>	<u>(2,600,336)</u>
INVESTING ACTIVITIES		
Purchase of investments	(2,737,362)	(529,325)
Investment proceeds distributed, net of operations	2,165,340	2,963,370
Student loans collected	47,707	20,859
Notes receivable issued	(75,000)	(125,000)
Payments received on notes receivable	125,000	125,000
Equipment purchases and building renovations	(95,602)	(256,782)
Proceeds from sale of land	-	96,000
	<u>(569,917)</u>	<u>2,294,122</u>
FINANCING ACTIVITIES		
Net change in line of credit	800,000	250,000
Restricted funds received for capital acquisitions	26,000	1,000
Receipt of gifts for other long-term restricted purposes	2,737,362	467,264
Payments on annuity and trust obligations	(492,200)	(375,330)
Net change in advances from government for federal student loans	(28,187)	(76,544)
Payment on notes payable	(196,780)	(191,373)
Payments on capital leases	-	(2,326)
	<u>2,846,195</u>	<u>72,691</u>
Net increase (decrease) in cash and cash equivalents	324,102	(233,523)
Cash and cash equivalents, beginning of year	<u>864,595</u>	<u>1,098,118</u>
Cash and cash equivalents, end of year	<u>\$ 1,188,697</u>	<u>\$ 864,595</u>

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

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

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 8 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; Charlotte, North Carolina; and Jacksonville, Florida.

The Seminary participates in student financial aid programs sponsored by the United States Department of Education, which facilitate 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:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in furthering the Seminary's educational mission. These net assets may be used at the discretion of the Seminary's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Seminary or by passage of time. Other donor-imposed stipulations are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions

The Seminary reports gifts of cash and other assets as revenues with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

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 fundraising activity.

The Seminary reports gifts of land, buildings, and equipment as support without donor restrictions, 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 support with donor restrictions. The Seminary reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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.

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 represents funds advanced to the Seminary by the United States Department of Education under the Federal Perkins Loan Program. 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 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. Amounts advanced by the U.S. Government under this program are ultimately refundable and are classified as advances from government for federal student loans. Student loans receivable are stated at their unpaid principal balances. Management has evaluated the student loans and feels they are all collectible and, therefore, has not reserved for these balances.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

Loans past due 30 days or more are considered delinquent. Loans are collectively evaluated for impairment; accordingly, no loans have been individually identified as impaired. Interest on loans is accrued at the contractual rate and credited to income based upon the principal amount outstanding. A loan is generally classified as non-accrual when it becomes 90 days past due as to interest or principal payments. All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the current period. Interest on non-accrual loans is only recorded when received. A loan remains on non-accrual status until all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The following is a loan aging analysis:

	<u>2023</u>	<u>2022</u>
Current or not in repayment status	\$ 62,255	\$ 120,667
61 - 90 days past due	10,000	-
Greater than 90 days past due	<u>210,919</u>	<u>220,920</u>
Total	<u>\$ 283,174</u>	<u>\$ 341,587</u>

Beneficial Interest in Charitable Remainder Trusts

Charitable remainder trusts were valued based on quoted market prices of the underlying investments and the actuarial expected lives of beneficiaries present valued using a 7% and 8% discount rate for the years ended 2023 and 2022, respectively.

Notes Receivable

Notes receivable consist of junior mortgage loans to faculty and staff members collateralized by their primary residences. These 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.

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 appreciation (depreciation) in 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.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

Deferred Income and Student Deposits

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

Annuities Payable and Trust Obligations

The annuities payable and trust obligations related to the charitable remainder trusts and pooled income funds are valued based on the actuarial expected lives of beneficiaries and ranges between 7% and 8% as the interest rate basis to determine present value for the years ended 2023 and 2022.

Tuition and Fees

The Seminary has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606), and related guidance, which provides guidance for revenue recognition under U.S. generally accepted accounting principles (U.S. GAAP). Topic 606 requires the disclosure of contract assets and liabilities as of the beginning of the earliest year presented. Accounts receivable and deferred income and student deposits amounted to \$1,493,506 and \$383,983 as of 2023 and 2022, respectively.

Tuition and fees are recognized pro rata over the term in which the academic programs are delivered. A contract is entered into with a student and covers a course or semester. Revenue recognition occurs when a student starts attending a course. Auxiliary revenues are recognized as services are performed, net of discounts. The Seminary has elected the short-term contract exemption with respect to its performance obligations under its contracts with students as all such contracts have original terms of less than one year.

Institutional scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely within the time specified in the Seminary's refund policy may receive a full or partial refund. Refunds issued reduce the amount of revenue recognized. Payments for tuition are due approximately three weeks after the start of the start of the academic term.

The Seminary recognized deferred revenue for summer terms beginning during the following fiscal year and pre-payments for the fall semester. The Seminary recognized deferred revenue from students, net of discounts and refunds, amounting to \$1,377,233 at 2023. The balance of deferred revenue at 2023, less any refunds issued, will be recognized as revenue over the applicable term as services are rendered.

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).

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

Use of Estimates

The preparation of financial statements in conformity with U.S. 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. Actual results could differ from those estimates.

Functional Expense Allocation

Expenses are reported in the statement of functional expenses in categories recommended by the National Association of College and University Business Officers. The Seminary's primary program service is instruction. Expenses reported as academic support, student services, auxiliary enterprises, facilities operation and maintenance, institutional support and fundraising are incurred in support of this primary program service. The allocation of expenses to these categories is based on effort, usage and other criteria. Expenses associated with the operation and maintenance of the Seminary plant assets, including interest and depreciation expense, are allocated on the basis of square footage utilized by the programs, as described in the functional categories.

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.

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic. Local, U.S., and world governments encouraged self-isolation to curtail the spread of COVID-19 by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group gatherings. Most sectors are still experiencing disruption to business operations and may feel further impacts related to delayed government reimbursement. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and additional government actions to mitigate them. Accordingly, while management expects this matter to impact operating results, the related financial impact and duration cannot be reasonably estimated.

On May 10, 2020, the Seminary obtained \$2,727,500 of the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief and Economic Security (CARES) Act. The PPP has specific criteria for eligibility and provides for forgiveness of the funds under this program if the Seminary meets certain requirements. Any portion of the funds that are not forgiven is to be repaid within 2 years at a 1% interest rate. The PPP loan was fully forgiven on October 15, 2021. The Seminary recorded revenue associated with the forgiveness amounting to \$394,500, \$1,000,000 and \$1,333,000 during the years ended June 30, 2022, 2021 and 2020, respectively, under the conditional contribution model.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

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In January 2021, the Seminary was awarded approximately \$496,000 through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) with HEERF II. Under the terms of the HEERF II grant agreement, at least the minimum student award from HEERF I was to be awarded to students as emergency financial aid for student expenses incurred and lost earnings related to COVID-19. The remaining amounts are to be used to cover certain costs the Seminary incurred as a result of the financial impact of COVID-19. At June 30 2022, the Seminary was in the process of awarding student emergency financial aid but had not drawn down or distributed all of the funds; therefore, approximately \$42,000 of the HEERF II funding was recognized as revenue during the year ended June 30, 2021, and was included in government grants and contracts in the statement of activities. At June 30, 2022, the Seminary had satisfied the terms and conditions of the grant agreement and recognized the remaining revenue, which is included in government grants and contracts in the statement of activities.

In May 2021, the Seminary was awarded approximately \$911,864 through the American Rescue Plan Act (ARPA) with HEERF III. Under the terms of the HEERF III grant agreement, 50% of the award is to be awarded to students as emergency financial aid for student expenses incurred and lost earnings related to COVID-19. The remaining 50% is to be used to cover certain costs the Seminary incurred as a result of the financial impact of COVID-19. At June 30, 2022, the Seminary had distributed all of the student emergency financial aid funds of \$455,932 and covered \$281,202 in COVID-19 related costs. The remaining \$174,730 was recognized during the year ended June 30, 2023.

NOTE B - AVAILABLE RESOURCES AND LIQUIDITY

The Seminary regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to optimize the investment of its available funds. The Seminary has various sources of liquidity at its disposal, including cash and cash equivalents, investments and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Seminary considers all expenditures related to its ongoing activities of instruction, academic, and student services, as well as the conduct of services undertaken to support those activities. Student loans receivable are not included in the analysis as principal and interest on these loans are not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the Seminary strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources or, where appropriate, borrowings.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

As of June 30, the following financial assets are expected to be available within one year of the statements of financial position date:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents, excluding Perkins Loan cash and cash reserved for capital purposes	\$ 781,739	\$ 374,497
Accounts receivable, net	2,041,809	2,342,555
Approved appropriation of donor-restricted endowed funds for use over the next 12 months	3,273,420	3,095,690
Approved appropriation of board-designated endowed funds for use over the next 12 months	<u>113,100</u>	<u>108,500</u>
	<u>\$ 6,210,068</u>	<u>\$ 5,921,242</u>

The financial assets that are expected to be available within one year are included in the following categories:

	<u>2023</u>	<u>2022</u>
Board designated endowment funds	\$ 1,870,169	\$ 1,794,268
Not subject to board or donor restrictions	<u>4,339,899</u>	<u>4,126,974</u>
	<u>\$ 6,210,068</u>	<u>\$ 5,921,242</u>

The Seminary also has a line of credit available to meet short-term needs. See Note I for information about this arrangement.

The Seminary has incurred significant operating losses and used a significant amount of cash and cash equivalents for operating activities in recent years. In response to these losses, management has developed several initiatives they believe will improve the financial condition of the Seminary over the next twelve months, including increasing enrollment and annual giving, expanding revenue opportunities, and simplifying structure, policies and procedures in an effort to reduce expenses.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

NOTE C - PLEDGES RECEIVABLE

The Seminary has pledges receivable at 2023 and 2022 with expected payments to be collected as follows at June 30:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 124,800	\$ 121,200
One to five years	<u>1,609,600</u>	<u>3,234,400</u>
Total pledges receivable	1,734,400	3,355,600
Less present value discount (8.75%% in 2023 and 5.00% in 2022)	<u>(267,406)</u>	<u>(448,852)</u>
Net pledges receivable	<u>\$ 1,466,994</u>	<u>\$ 2,906,748</u>

Management has elected to record pledges at fair value by evaluating and adjusting, if necessary, the discount rate annually.

NOTE D - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 2,275,412	\$ 2,275,411
Buildings and improvements	54,066,113	54,066,112
Equipment installation in progress	-	95,992
Furniture and equipment	<u>9,495,472</u>	<u>9,303,877</u>
	65,836,997	65,741,392
Less accumulated depreciation	<u>(33,680,822)</u>	<u>(32,329,672)</u>
Total	<u>\$ 32,156,175</u>	<u>\$ 33,411,720</u>

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

NOTE E - INVESTMENTS

Investments by type and corresponding fair value consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Pooled assets		
Cash and cash equivalents	\$ 3,959,241	\$ 1,274,707
Equity investments	24,394,576	22,795,446
Fixed income investments	<u>10,494,845</u>	<u>11,395,634</u>
	<u>38,848,662</u>	<u>35,465,787</u>
Nonpooled assets		
Cash and cash equivalents	926,161	624,724
Equity investments	17,400,337	17,193,675
Fixed income investments	6,916,669	6,688,005
Other	<u>18,774</u>	<u>18,774</u>
	<u>25,261,941</u>	<u>24,525,178</u>
	<u>\$ 64,110,603</u>	<u>\$ 59,990,965</u>

Corporate bonds and notes (included in fixed income investments above) have varying maturities through 2052.

NOTE F - ENDOWMENT

General

The Seminary's endowment consists of two major endowment accounts. The largest account is a pooled fund (approximately 100 individual funds established for a variety of purposes), substantially all of which is donor-restricted. As required by U.S. GAAP and the Board of Trustees' interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the following net assets associated with the pooled endowment funds are normally classified as funds of perpetual duration: (1) the original gift corpus and (2) accumulations to the gifts to be maintained in perpetuity made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. If the donor-restricted endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' contributed value, that excess is included in net assets with donor restrictions until appropriated by the Board of Trustees and, if applicable, expended in accordance with the donors' restrictions. Funds designated by the Board of Trustees to function as endowments are classified as net assets without donor restrictions.

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 contributed amount and capital gains of this endowment account are classified as funds of perpetual duration.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

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Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Seminary to retain as a fund of perpetual duration. There were deficiencies of this nature existing in seven donor-restricted endowment funds, which together have an accumulated deficiency of \$15,096 as of June 30, 2022 that resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor-imposed restrictions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. There were no endowment funds with deficiencies as of June 30, 2023. The Seminary's spending policy permits spending from funds with deficiencies in accordance with the prudent measures required under UPMIFA.

Interpretation of Relevant Law

The Seminary's endowment is subject to the general provisions of UPMIFA as adopted by the Commonwealth of Massachusetts. The method by which the Seminary classifies endowment net assets is in conformity with the Seminary's interpretation of UPMIFA legislation.

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

1. The role that each investment or course of action plays within the overall investment portfolio of the fund;
2. General economic conditions;
3. The possible effect of inflation and deflation;
4. The expected total return from income and the appreciation of investments;
5. Other resources of the Seminary;
6. The needs of the Seminary and the fund to make distributions and to preserve capital; and
7. An asset's special relationship or special value, if any, to the charitable purposes of the Seminary.

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 6% of a three-year moving market value average (calculated as of the prior three fiscal year-ends) of its pooled endowment funds in 2023 and 4.6% in 2022. 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.

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Notes to Financial Statements

2023 and 2022

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 of the designated 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 is 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. Under the guidelines, 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: (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.

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Notes to Financial Statements

2023 and 2022

Based on cash flow requirements for operations, the Seminary utilizes the endowment fund for working capital needs. At June 30, 2023 and 2022, the balance of this interfund loan totaled \$4,020,043 and \$4,213,363, respectively. Endowment funds without donor restrictions, as presented in the following tables, also represents interfund loans for working capital needs. This loan was covered in part by the Seminary's interest in a trust whose future use has no donor restrictions and the available amount on the line of credit. At June 30, 2023 and 2022, the trust had a fair value of \$1,868,303 and \$1,739,174, respectively, and the funds available on the line of credit totaled \$3,600,000 and \$4,400,000, respectively. Interest expense for the interfund loan charged to operations was approximately \$85,000 in 2023 and 2022.

Endowment Net Asset Composition by Type of Fund

As of June 30, 2023, the endowment net asset composition was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total Funds</u>
		<u>Funds Held in Perpetuity</u>	<u>Accumulated Gains and Other</u>	<u>Total With Donor Restrictions</u>	
Donor-restricted funds					
Pooled funds	\$ -	\$ 39,590,270	\$ 7,429,040	\$ 47,019,310	\$ 47,019,310
Nonpooled funds	-	18,082,544	-	18,082,544	18,082,544
Board-designated funds	<u>1,870,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,870,169</u>
Total funds	<u>\$ 1,870,169</u>	<u>\$ 57,672,814</u>	<u>\$ 7,429,040</u>	<u>\$ 65,101,854</u>	<u>\$ 66,972,023</u>

As of June 30, 2022, the endowment net asset composition was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total Funds</u>
		<u>Funds Held in Perpetuity</u>	<u>Accumulated Gains and Other</u>	<u>Total With Donor Restrictions</u>	
Donor-restricted funds					
Pooled funds	\$ -	\$ 36,852,908	\$ 6,805,137	\$ 43,658,045	\$ 43,658,045
Nonpooled funds	-	17,629,855	-	17,629,855	17,629,855
Board-designated funds	<u>1,794,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,794,268</u>
Total funds	<u>\$ 1,794,268</u>	<u>\$ 54,482,763</u>	<u>\$ 6,805,137</u>	<u>\$ 61,287,900</u>	<u>\$ 63,082,168</u>

At June 30, 2023, investments of \$64,110,603 included \$56,998,703 in endowment investments and \$7,111,900 related to investments in annuities, trusts and charitable remainder unitrust (CRUT) agreements for which the Seminary is the trustee. At June 30, 2022, investments of \$59,990,965 included \$53,159,277 in endowment investments and \$6,831,689 related to investments in annuities, trusts and CRUT agreements for which the Seminary is the trustee.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

At June 30, 2023, endowment net assets with donor restrictions of \$65,101,854 consisted of \$56,998,703 in endowment investments funds, \$2,371,234 in annuity investments available to be transferred to the endowment, \$1,711,874 in notes receivable collateralized by home mortgages and collectibles, and \$4,020,043 in interfund loans for working capital. At June 30, 2022, endowment net assets with donor restrictions of \$61,287,900 consisted of \$53,159,277 in endowment investments funds, \$2,153,388 in annuity investments available to be transferred to the endowment, \$1,761,873 in notes receivable collateralized by home mortgages and collectibles, and \$4,213,362 in interfund loans for working capital.

For the fiscal year ended June 30, 2023, the following activities resulted in the change in net assets by fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total Funds</u>
		<u>Funds Held in Perpetuity</u>	<u>Accumulated Gains and Other</u>	<u>Total With Donor Restrictions</u>	
Endowment net assets at June 30, 2022	\$ 1,794,268	\$ 54,482,763	\$ 6,805,137	\$ 61,287,900	\$ 63,082,168
Total investment return	128,399	452,689	3,836,351	4,289,040	4,417,439
Contributions to endowment	56,002	2,737,362	-	2,737,362	2,793,364
Appropriations for operations	(95,200)	-	(2,846,718)	(2,846,718)	(2,941,918)
Appropriations for restricted purposes	<u>(13,300)</u>	<u>-</u>	<u>(365,730)</u>	<u>(365,730)</u>	<u>(379,030)</u>
Total change in endowment net assets	<u>75,901</u>	<u>3,190,051</u>	<u>623,903</u>	<u>3,813,954</u>	<u>3,889,855</u>
Endowment net assets at June 30, 2023	<u>\$ 1,870,169</u>	<u>\$ 57,672,814</u>	<u>\$ 7,429,040</u>	<u>\$ 65,101,854</u>	<u>\$ 66,972,023</u>

For the fiscal year ended June 30, 2022, the following activities resulted in the change in net assets by fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total Funds</u>
		<u>Funds Held in Perpetuity</u>	<u>Accumulated Gains and Other</u>	<u>Total With Donor Restrictions</u>	
Endowment net assets at June 30, 2021	\$ 2,368,572	\$ 55,373,322	\$ 13,875,546	\$ 69,248,868	\$ 71,617,440
Total investment loss	(179,565)	(1,357,822)	(3,862,393)	(5,220,215)	(5,399,780)
Contributions to endowment	62,061	467,263	-	467,263	529,324
Appropriations to operations	(94,600)	-	(2,863,597)	(2,863,597)	(2,958,197)
Appropriations for restricted purposes	(12,200)	-	(344,419)	(344,419)	(356,619)
Transfer for operations	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>
Total change in endowment net assets	<u>(574,304)</u>	<u>(890,559)</u>	<u>(7,070,409)</u>	<u>(7,960,968)</u>	<u>(8,535,272)</u>
Endowment net assets at June 30, 2022	<u>\$ 1,794,268</u>	<u>\$ 54,482,763</u>	<u>\$ 6,805,137</u>	<u>\$ 61,287,900</u>	<u>\$ 63,082,168</u>

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

NOTE G - FAIR VALUE MEASUREMENT

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. U.S. 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.

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 on a recurring basis are summarized below:

	2023			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Pledges receivable	\$ <u>1,466,994</u>	\$ <u> </u> -	\$ <u> </u> -	\$ <u>1,466,994</u>
Beneficial interest in CRUTs	\$ <u>3,697,051</u>	\$ <u> </u> -	\$ <u>3,697,051</u>	\$ <u> </u> -
Investments				
Cash and cash equivalents	\$ 4,885,402	\$ 4,885,402	\$ -	\$ -
Equity investments	41,794,913	41,794,913	-	-
Fixed income investments	17,411,514	17,411,514	-	-
Other	<u>18,774</u>	<u>18,774</u>	-	-
Total investments	\$ <u>64,110,603</u>	\$ <u>64,110,603</u>	\$ <u> </u> -	\$ <u> </u> -
Liabilities				
Annuities payable and trust obligations	\$ <u>2,139,422</u>	\$ <u> </u> -	\$ <u>2,139,422</u>	\$ <u> </u> -

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

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2023 and 2022

	June 30, 2022			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Pledges receivable	\$ <u>2,906,748</u>	\$ <u> </u> -	\$ <u> </u> -	\$ <u>2,906,748</u>
Beneficial interest in CRUTs	\$ <u>3,479,448</u>	\$ <u> </u> -	\$ <u>3,479,448</u>	\$ <u> </u> -
Investments				
Cash and cash equivalents	\$ 1,899,431	\$ 1,899,431	\$ -	\$ -
Equity investments	39,989,122	39,989,122	-	-
Fixed income investments	18,083,638	16,844,352	1,239,286	-
Other	<u>18,774</u>	<u>18,774</u>	<u> </u> -	<u> </u> -
Total investments	\$ <u>59,990,965</u>	\$ <u>58,751,679</u>	\$ <u>1,239,286</u>	\$ <u> </u> -
Liabilities				
Annuities payable and trust obligations	\$ <u>2,260,168</u>	\$ <u> </u> -	\$ <u>2,260,168</u>	\$ <u> </u> -

The fair value for Level 3 pledges receivable is primarily based on an estimate of the present value of the underlying pledge, which is evaluated annually. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Changes in pledges receivable for the years ended June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Pledges receivable, beginning of year	\$ 2,906,748	\$ 2,969,243
Payments and adjustments on pledges	(1,621,199)	(129,998)
Change in discount and allowance for uncollectible pledges	<u>181,445</u>	<u>67,503</u>
Pledges receivable, end of year	\$ <u>1,466,994</u>	\$ <u>2,906,748</u>

The fair value for Level 2 beneficial interest in CRUTs and annuities payable and trust obligations is primarily based on an estimate of the market value of underlying securities invested in by the trusts and the actuarial expected lives of beneficiaries. The fair value for Level 2 fixed income investments, which consist of corporate bonds, is based on quoted market prices for similar investments.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

NOTE H - NET ASSETS

Net assets with donor restrictions consisted of the following at June 30:

Funds maintained with donor restrictions temporary in nature:

	<u>2023</u>	<u>2022</u>
Unspent endowment gains:		
Academic and general	\$ 4,286,874	\$ 3,870,109
Financial aid	3,133,024	2,930,249
Operations and maintenance	<u>9,142</u>	<u>4,779</u>
	<u>7,429,040</u>	<u>6,805,137</u>
Gifts restricted for purpose:		
Academic and general	2,285,536	1,512,374
Financial aid	2,365,203	2,787,698
Operations and maintenance	320,368	262,883
Sponsored academic projects	1,309,649	2,110,687
Trusts restricted as to time	2,045,946	1,912,854
Gifts restricted for capital purchases	<u>-</u>	<u>2,102</u>
	<u>8,326,702</u>	<u>8,588,598</u>
Total funds maintained with donor restrictions temporary in nature	<u>15,755,742</u>	<u>15,393,735</u>
Funds maintained in perpetuity:		
Endowment funds whose income is restricted for:		
Academic and general	34,679,263	31,687,607
Financial aid	22,876,489	22,678,094
Operations and maintenance	<u>117,062</u>	<u>117,062</u>
	<u>57,672,814</u>	<u>54,482,763</u>
Trust funds whose income is restricted for:		
Academic and general	1,965,672	1,897,190
Financial aid	1,717,448	1,522,982
Operations and maintenance	<u>429,067</u>	<u>412,632</u>
	<u>4,112,187</u>	<u>3,832,804</u>
Contributions receivable	<u>1,268,331</u>	<u>2,591,513</u>
Total funds maintained in perpetuity	<u>63,053,332</u>	<u>60,907,080</u>
Total net assets with donor restrictions	<u>\$ 78,809,074</u>	<u>\$ 76,300,815</u>

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

Net assets released from restrictions, excluding endowment support for operations, consisted of the following:

	<u>2023</u>	<u>2022</u>
Academic and general	\$ 1,097,029	\$ 993,395
Sponsored academic projects	989,216	674,007
Operations and maintenance	116,142	69,362
Financial aid	<u>1,472,247</u>	<u>1,373,250</u>
Net assets released from restrictions for operations	3,674,634	3,110,014
Net assets released from restrictions appropriated for capital purposes	<u>36,163</u>	<u>53,631</u>
Total	<u>\$ 3,710,797</u>	<u>\$ 3,163,645</u>

NOTE I - NOTES PAYABLE AND LINE OF CREDIT AGREEMENT

The following is a summary of the Seminary's notes payable outstanding:

	<u>2023</u>	<u>2022</u>
<u>Roxbury Building Loan</u>		
Collateralized by a mortgage on the Center for Urban Ministerial Education building in Roxbury, Massachusetts. The loan was refinanced on April 21, 2022 with a five-year term that includes a fixed interest rate of 4.70% with fixed monthly principal and interest payments of \$8,852, with a final balloon payment due on April 21, 2027. The previous loan was a seven-year loan that included a fixed interest rate of 4.25% with fixed monthly principal and interest payments of \$8,609.	\$ 758,598	\$ 826,889
<u>Cass Bank \$3 Million Loan</u>		
The loan was refinanced on May 1, 2022 with a five-year term that includes a fixed interest rate of 4.70% with fixed monthly principal and interest payments of \$19,281, with a final balloon payment due on May 1, 2027. The previous loan was a seven-year term loan that included a fixed interest rate of 4.25% with fixed monthly principal and interest payments of \$18,679. The loan is collateralized by the Seminary's real estate assets in Hamilton, Massachusetts. The Seminary agrees to keep its real estate assets in Charlotte, North Carolina free of all mortgages, liens and encumbrances. In addition, the Seminary is prohibited from additional borrowings in excess of \$100,000 per year without consent of the bank.	<u>2,088,679</u>	<u>2,217,168</u>
	<u>\$ 2,847,277</u>	<u>\$ 3,044,057</u>

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

Future maturities of the notes payable are as follows:

Year ending June 30	
2024	\$ 206,006
2025	216,398
2026	226,938
2027	<u>2,197,935</u>
	<u>\$ 2,847,277</u>

The Roxbury Building Loan and Cass Bank \$3 Million Loan terms include covenants that require the Seminary to maintain a minimum level of "Total Net Assets" of at least \$60 million and maintain a maximum level of "Total Liabilities" of \$25 million.

As of June 1, 2022, the existing long-term line of credit agreement was renewed with a new long-term line of credit agreement with the same maximum borrowing limit of \$8,500,000, which expired June 1, 2023. Interest payments were due monthly with one payment of all outstanding principal due upon maturity. The interest rate was the Wall Street Journal Prime Rate, floating, plus 0.25%, with a floor of 4.25% (5.00% at 2023). As of June 1, 2023, the existing long-term line of credit agreement was renewed with a new long-term line of credit agreement with the same maximum borrowing limit of \$8,500,000, which expires June 1, 2024. Interest payments are due monthly with one payment of all outstanding principal due upon maturity. The interest rate is the Wall Street Journal Prime Rate, floating, plus 0.50%, with a floor of 4.25% (8.75% at June 30, 2023). The line is collateralized by a portion of the real estate assets on the Hamilton, Massachusetts campus. The outstanding balance on the line of credit was \$4,900,000 and \$4,100,000 as of 2023 and 2022, respectively.

Interest expense for notes payable and the line of credit charged to operations was \$565,907 and \$359,525 in 2023 and 2022, respectively.

NOTE J - EMPLOYEE BENEFITS

The Seminary's retirement plan (the 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.

GORDON-CONWELL THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

2023 and 2022

The Seminary makes a basic contribution of 3% as well as a matching contribution of 2%. Contributions were suspended for a 3-month period during fiscal year 2021 and resumed on July 1, 2022. Retirement plan expense was \$408,792 and \$347,340 for the years ended 2023 and 2022, respectively. Contributions may not exceed the limits imposed by the IRC. New eligible employees are immediately vested in their voluntary salary reduction contributions (i.e., elective deferrals); however, the Seminary's basic contributions and matching contributions do not become vested until the employee completes two years of service.

The Seminary sponsors a 403(b)(9) retirement savings plan for the current President, administered by Fidelity Investments, with all employer and employee contributions immediately vested. Employer contributions totaled \$18,804 and \$23,156 for the years ended 2023 and 2022, respectively.

NOTE K - CASH FLOW INFORMATION

The Seminary had the following noncash activity for the years ended 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Capital expenditures	\$ 93,027	\$ 248,688
Less accounts payable as of year-end	-	(2,575)
Add payments on prior year accounts payable used to finance capital expenditures	<u>2,575</u>	<u>10,669</u>
Payments for equipment purchases and building renovations	<u>\$ 95,602</u>	<u>\$ 256,782</u>

NOTE L - RELATED PARTY TRANSACTIONS

The Seminary has conflict of interest policies to protect its interest in connection with related party transactions. For the years ended 2023 and 2022, the Seminary recognized \$718,561 and \$865,116, respectively, in revenue from contributions from various members of the Board of Trustees. The contribution revenue is included in private gifts and grants in the statements of activities. There were no additional material transactions with related parties.

NOTE M - SUBSEQUENT EVENTS

For the purposes of the presentation of these financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through November 29, 2023, 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.