

GORDON CONWELL

THEOLOGICAL SEMINARY

Review of FY2024 Audited Financial Statements

Audit Report

Gordon-Conwell (GCTS) recently completed the FY2024 audit and received a clean unmodified opinion with no financial statement audit findings or issues.

Statement of Financial Position

Total Net Assets increased by \$2.5 million. This was primarily due to favorable market returns on endowment investments resulting in over \$6 million in investment gains, which was netted against the historically high \$3 million distribution of endowment earnings to operations. In addition, Net Assets Without Donor Restrictions decreased by \$1.5 million due to a continued operating deficit, which was slightly improved compared to the prior year.

Investments

The balance of investments increased from \$64 million to \$68 million, primarily due to favorable market returns in FY2024, net of the annual endowment distribution. Investments also benefited from the realization of a significant bequest gift of approximately \$2.5 million to the endowment.

Debt & Line of Credit

The balance of our two long-term loans totaled \$2.6 million at the end of FY2024. We are current on all payments, and all debt covenants are being met. These loans have fixed interest rates of 4.7% and final balloon payments in 2027.

The balance of the line of credit (\$8.5 million maximum) was \$6,500,000 as of the end of FY2024, an increase of \$1,600,000 from the prior year. As of the writing of this report, the Seminary is at a low point in the fiscal year cash cycle and still has approximately \$2.0 million available on the line. In addition, the remaining yearly endowment distributions will total an additional \$1.5 million. The combination of this liquidity, forecasted winter/spring cash flows, and known donor support, our resources should provide sufficient liquidity through the end of the fiscal year and beyond.

Endowment Interfund Borrowing

The balance of the endowment interfund borrowing increased slightly from \$4.0 million to \$4.8 million but it is still a low overall percentage and only a portion of investment earnings.

Statement of Activities - Revenue

Total Revenue increased by more than \$2 million. \$1.5 million was the result of net investment gains compared to the prior year. Other increases (Net Tuition and Gifts) were partially offset by decreases (Government grants and Other Income), which resulted in Revenue Without Donor Restrictions increasing by \$700,000.

Tuition

Net Tuition increased by \$720,000 (+9%) as a result of enrollment increases in certain programs. The Networked Education (digital) program saw nearly a \$1 million increase in FY2024, which was partially offset by an almost \$600,000

decrease in the Residential Education program. Some of these shifts were the result of improved categorization of students based on modality versus physical location designations. Overall, Networked Education continues to grow and Residential Education is relatively flat or slightly down. The Doctor of Ministry program saw nearly a \$500,000 increase, which was a recovery post-COVID, since the program relies exclusively on annual in-person residencies. While the smaller programs, such as the Latino and Global Ministries program, and Urban Ministerial Education program ended the year with a slight increase and decrease, respectively, these tuition changes were not material to the Seminary's overall tuition growth.

Discount Rate

The total discount rate for Gordon-Conwell has remained very consistent, varying by less than a percentage point over the last few years. A 45.1% discount rate, coupled with the standard tuition rate, keeps net tuition in line with other schools similar to Gordon-Conwell.

Private Gifts

Annual Private Gifts and Grants Without Donor Restrictions increased by over \$500,000 (+15%), one of the Seminary's largest amounts ever. One major donor provided significant funding for two successful giving appeals. Total individual donors also rebounded with nearly 600 alumni participating in a new alumni giving campaign.

Endowment Distribution

Distributions from the endowment remained at the same elevated level of \$3 million due to the continuation of a temporary increase in the distribution rate from 4.6% to 6.0%.

Government Funds

Government grants and other income both decreased, as prior year government COVID funding had ended, and a prior year life insurance payout did not repeat.

Statement of Activities - Expenses

Total Expenses increased by \$660,000 in FY2024. This increase was the result of the following areas, as outlined below.

Salaries & Benefits

Salaries and benefits increased by slightly more than \$500,000 in FY2024. There were multiple reasons for this: 1) due to difficulty in filling domestic staff positions, the Seminary expanded its partnership with an offshore staffing company in the Philippines; 2) additional grant funding required additional grant staff; and 3) the marketing and sale of real estate required additional staffing costs.

Other Expenses

Other Expenses increased by \$150,000, primarily due to unexpected deferred maintenance costs for facilities and technology.

Cash Flow

Cash provided by operating activities was a net use of \$4.3 million (\$2.4 million more than FY2023). Compared to our operating results, this net use of funds for operating activities seems large. However, the cash proceeds from our endowment distribution offset most of this deficit, even though it is categorized as an investing activity.

Cash provided by investing activities was net positive by \$868,000 (\$1.4 million more than FY2023), the net result of endowment distributions versus a significant increase in the purchase of investments primarily related to endowment giving. This was offset by an increase in equipment purchases and building renovations in FY2024.

Cash provided by financing activities was net positive by \$3.9 million (\$1.0 million more than FY2023), which was the result of the additional \$1.6 million draw on the line of credit and \$2.5 million received as gifts for other long-term restricted purposes.

Financial Summary

FY2024 financial results were not expected to be positive, but they were better than anticipated due to improvements in Student Tuition and Fees, and Private Gifts and Grants. We are seeking to balance current revenue and cost pressures with a focus towards a sustainable business model. Current cash, line of credit position, and donor support will provide the liquidity to cover this year's operations and next year's, if needed. We continue to be very aware of our ongoing challenges and are actively addressing them from both a strategic and operational level.