

GORDON CONWELL

THEOLOGICAL SEMINARY

Review of FY2025 Audited Financial Statements

Audit Report

Gordon-Conwell (GCTS) recently completed the FY2025 audit and received a clean unmodified opinion with no financial statement audit findings or issues.

Statement of Financial Position

Total Net Assets increased by \$3 million. This was primarily due to favorable market returns on endowment investments resulting in over \$7 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 \$1.2 million due primarily to significant maintenance and renovation work on the Hamilton Campus.

Accounts Receivable

The student accounts receivable balances were reduced by \$560,000 (-30%). This was the result of increased student payments during each term and a reduction in delinquent accounts.

Investments

The balance of investments increased from \$68 million to nearly \$72 million, primarily due to favorable market returns in FY2025, net of the annual endowment distribution.

Debt & Line of Credit

The balance of our two long-term loans totaled \$2.4 million at the end of FY2025. 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 FY2025, the same as 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 \$2.4 million available on the line. In addition, the remaining yearly endowment distributions will total an additional \$1.6 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 endowment interfund borrowing did increase from \$4.8 million to \$6.3 million in FY2025 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 \$1 million, which was primarily the result of increased Private Gifts and Grants. Other areas of increase (Net Tuition and Investment returns) were offset by decreases (Auxiliary Income, Government grants, and Other Income), which resulted in Revenue Without Donor Restrictions increasing by \$660,000.

Tuition

Net Tuition increased by \$180,000 (+2%) as a result of enrollment increases in certain programs. The certificate program in Korea increased by \$120,000 and the Networked Education (digital) program increased by \$80,000 in FY2025. These were partially offset by decreases in the Urban Ministerial Education program of \$50,000. Overall, Networked Education continues to grow and Residential Education is relatively flat. The Doctor of Ministry program saw a slight increase of \$17,000.

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 45.8% 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 almost \$2 million (+47%), the Seminary's largest amount ever. The increase came from significant trustee and major donor giving, while the GCTS Scholarship Fund continued at its historically high level, thanks to our faithful recurring individual donors who made gifts at many different levels.

Endowment Distribution

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

Government Funds and Other Income

Government Funds and Other Income both decreased, as Federal loans and Federal Work Study use decreased, and Other Income levels fluctuate yearly.

Statement of Activities - Expenses

Total Expenses increased by \$420,000 in FY2025. This increase was the result of the following areas, as outlined below.

Salaries & Benefits

Salaries and benefits increased by \$470,000 in FY2025. There were multiple reasons for this: 1) most faculty and staff received a 2% pay raise in July 2024; 2) health insurance costs increased by 17%; and 3) a few key positions were added to help grow the Networked Education (digital) program.

Non-Salary Expenses

Non-Salary related Expenses decreased by \$50,000 in FY2025. However, some categories increased (Occupancy & Maintenance and Services Purchased), while other categories decreased (Depreciation, Interest, and Office Expense, Travel, & Other). The main increase was \$120,000 in Occupancy & Maintenance and was due to a portion of the maintenance and renovation work on the Hamilton Campus not being capitalizable. Depreciation expense decreased by

\$107,000, primarily due to below average fixed asset additions in prior years and new fixed asset additions not being put into service until later in the fiscal year.

Cash Flow

Cash provided by operating activities was a net use of \$2.1 million (\$2.2 million less than FY2024). This improvement was due to the increase in student payments and the reduction in delinquent student accounts combined with the increase in unrestricted giving.

Cash provided by investing activities was net positive by \$836,000 (\$30,000 less than FY2024). This was from a combination of additional endowment borrowing which was used to pay for significant maintenance and building renovation work on the Hamilton Campus.

Cash provided by financing activities was net positive by \$1.3 million (\$2.5 million less than FY2024), which was the result of zero additional draw on the line of credit and \$900,000 less gifts received for other long-term restricted purposes.

Financial Summary

FY2025 financial results were not expected to be positive, but they were better than anticipated due to significant support from the trustees and other major donors through Private Gifts and Grants. We are seeking to balance current revenue and cost pressures with a focus on a sustainable business model. Current cash, line of credit position, and donor support will provide the liquidity to cover this year's operations. We continue to be very aware of our ongoing challenges and are actively addressing them from both a strategic and operational level.