

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
Louisville, Kentucky

CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Southern Baptist Theological Seminary
Louisville, Kentucky

Opinion

We have audited the consolidated financial statements of The Southern Baptist Theological Seminary (the "Seminary"), which comprise the consolidated statements of financial position as of July 31, 2024 and 2023, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Southern Baptist Theological Seminary as of July 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Southern Baptist Theological 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 the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidating Schedules on pages 33 through 36 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities and are not a required part of the consolidated financial statements. That information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Additional Information

Management is responsible for the accompanying Report of Executive Committee of the Southern Baptist Convention – Distribution by State Cooperative Program Receipts, as noted on the table of contents, which is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Our opinion on the consolidated financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

Crowe LLP

Crowe LLP

Louisville, Kentucky
November 12, 2024

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 51,751,155	\$ 47,359,444
Accounts and notes receivable, less allowance for credit losses of \$30,000 and \$32,000 in 2024 and 2023, respectively	971,173	1,275,969
Student loans receivable, less allowance for credit losses of \$1,000 and \$1,000 in 2024 and 2023, respectively	16,929	25,513
Inventory, prepaid expenses and other	2,160,397	2,376,706
Land, buildings and equipment, net of accumulated depreciation (Note 7)	60,468,975	60,980,011
Right of use asset – operating leases (Note 13)	199,023	133,431
Long-term investments (Note 4)	85,728,631	80,756,876
Funds held in trust by others (Note 6)	26,880,980	25,758,268
Real estate held for sale and other	<u>499,147</u>	<u>505,709</u>
Total assets	<u>\$ 228,676,410</u>	<u>\$ 219,171,927</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,519,098	\$ 4,067,635
Deferred revenue, deposits and other liabilities	2,032,907	1,583,870
Annuity obligations	675,463	955,091
Lease obligation – operating leases (Note 13)	201,278	133,431
Notes payable (Note 8)	13,436,706	14,607,503
Accrued postretirement benefit cost (Note 12)	<u>3,894,664</u>	<u>4,208,040</u>
Total liabilities	<u>24,760,116</u>	<u>25,555,570</u>
Net assets		
Without donor restrictions		
Undesignated	85,976,609	82,312,848
Board designated for operating reserve	2,500,000	2,500,000
Board designated for endowment	<u>9,430,816</u>	<u>8,498,362</u>
Total net assets without donor restrictions	97,907,425	93,311,210
With donor restrictions (Note 9)		
Time restricted for future periods	4,744,463	5,043,334
Purpose restricted	40,071,746	36,034,858
Restricted in perpetuity	<u>61,192,660</u>	<u>59,226,955</u>
Total net assets with donor restrictions	<u>106,008,869</u>	<u>100,305,147</u>
Total net assets	<u>203,916,294</u>	<u>193,616,357</u>
Total liabilities and net assets	<u>\$ 228,676,410</u>	<u>\$ 219,171,927</u>

See accompanying notes to consolidated financial statements.

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended July 31, 2024
(With comparative totals for 2023)

	2024			Total	2023 Total
	Without Donor Restrictions	With Donor Restrictions			
		Program Restrictions	Restricted in Perpetuity		
Operating revenues					
Net tuition income	\$ 22,966,077	\$ -	\$ -	\$ 22,966,077	\$ 22,655,417
Gifts and bequests					
Southern Baptist Convention					
Cooperative Program	10,369,191	-	-	10,369,191	10,322,404
Other financial assets	3,262,530	1,007,239	37,145	4,306,914	4,147,452
Non-financial assets	3,337	-	-	3,337	4,154
Investment return distributed					
for operations	1,185,081	2,552,542	-	3,737,623	3,094,221
Other	575,510	1,040	-	576,550	486,374
Auxiliary enterprises					
Student housing	4,543,985	-	-	4,543,985	4,485,979
Other	3,438,745	-	-	3,438,745	3,454,947
Net assets released from restrictions	<u>3,359,806</u>	<u>(3,359,806)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>49,704,262</u>	<u>201,015</u>	<u>37,415</u>	<u>49,942,422</u>	<u>48,650,948</u>
Operating expenses					
Educational and general					
Instruction	14,287,151	-	-	14,287,151	13,255,835
Academic support	3,257,459	-	-	3,257,459	3,414,303
Institutional support	11,611,921	-	-	11,611,921	10,704,997
Student services	8,673,309	-	-	8,673,309	7,961,247
Auxiliary enterprises					
Student housing	6,742,540	-	-	6,742,540	6,424,248
Other	<u>4,907,949</u>	<u>-</u>	<u>-</u>	<u>4,907,949</u>	<u>4,883,608</u>
Total expenses	<u>49,480,329</u>	<u>-</u>	<u>-</u>	<u>49,480,329</u>	<u>46,644,238</u>
Increase in net assets from operating activities	<u>223,933</u>	<u>201,015</u>	<u>37,145</u>	<u>462,093</u>	<u>2,006,710</u>
Nonoperating					
Investment return undistributed	3,654,118	3,607,856	1,663,677	8,925,651	4,502,558
Change in value of split-interest agreements	-	14,745	264,883	279,628	69,865
Unrestricted estate gifts board- designated as funds functioning as endowment	322,084	-	-	322,084	304,226
Gifts restricted by donors for capital purposes	-	65,000	-	65,000	67,199
Change in postretirement benefits obligation other than net periodic cost	422,343	-	-	422,343	170,880
Change in value of interest rate swap agreements	(176,862)	-	-	(176,862)	640,374
Gain on disposition of equipment	-	-	-	-	400
Other	-	-	-	-	(10,000)
Net assets released from restrictions	<u>150,599</u>	<u>(150,599)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets from nonoperating activities	<u>4,372,282</u>	<u>3,537,002</u>	<u>1,928,560</u>	<u>9,837,844</u>	<u>5,745,502</u>
Increase in net assets	4,596,215	3,738,017	1,965,705	10,299,937	7,752,212
Net assets at beginning of year	<u>93,311,210</u>	<u>41,078,192</u>	<u>59,226,955</u>	<u>193,616,357</u>	<u>185,864,145</u>
Net assets at end of year	<u>\$ 97,907,425</u>	<u>\$ 44,816,209</u>	<u>\$ 61,192,660</u>	<u>\$ 203,916,294</u>	<u>\$ 193,616,357</u>

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended July 31, 2023

	2023			Total
	Without Donor Restrictions	With Donor Restrictions		
		Program Restrictions	Restricted in Perpetuity	
Operating revenues				
Net tuition income	\$ 22,655,417	\$ -	\$ -	\$ 22,655,417
Gifts and bequests				
Southern Baptist Convention				
Cooperative Program	10,322,404	-	-	10,322,404
Other financial assets	3,073,315	798,148	275,989	4,147,452
Non-financial assets	4,154	-	-	4,154
Investment return distributed				
for operations	284,476	2,809,745	-	3,094,221
Other	484,519	1,855	-	486,374
Auxiliary enterprises				
Student housing	4,485,979	-	-	4,485,979
Other	3,454,947	-	-	3,454,947
Net assets released from restrictions	<u>3,403,337</u>	<u>(3,403,337)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>48,168,548</u>	<u>206,411</u>	<u>275,989</u>	<u>48,650,948</u>
Operating expenses				
Educational and general				
Instruction	13,255,835	-	-	13,255,835
Academic support	3,414,303	-	-	3,414,303
Institutional support	10,704,997	-	-	10,704,997
Student services	7,961,247	-	-	7,961,247
Auxiliary enterprises				
Student housing	6,424,248	-	-	6,424,248
Other	<u>4,883,608</u>	<u>-</u>	<u>-</u>	<u>4,883,608</u>
Total expenses	<u>46,644,238</u>	<u>-</u>	<u>-</u>	<u>46,644,238</u>
Increase in net assets from operating activities	<u>1,524,310</u>	<u>206,411</u>	<u>275,989</u>	<u>2,006,710</u>
Nonoperating				
Investment return undistributed	3,187,551	1,006,873	308,134	4,502,558
Change in value of split-interest agreements	-	(15,393)	85,258	69,865
Unrestricted estate gifts board- designated as funds functioning as endowment	304,226	-	-	304,226
Gifts restricted by donors for capital purposes	-	67,199	-	67,199
Change in postretirement benefits obligation other than net periodic cost	170,880	-	-	170,880
Change in value of interest rate swap agreements	640,374	-	-	640,374
Gain on disposition of equipment	400	-	-	400
Gain on catastrophic loss settlement	-	-	-	-
Other	(10,000)	-	-	(10,000)
Net assets released from restrictions	<u>203,321</u>	<u>(203,321)</u>	<u>-</u>	<u>-</u>
Increase in net assets from nonoperating activities	<u>4,496,752</u>	<u>855,358</u>	<u>393,392</u>	<u>5,745,502</u>
Increase in net assets	6,021,062	1,061,769	669,381	7,752,212
Net assets at beginning of year	<u>87,290,148</u>	<u>40,016,423</u>	<u>58,557,574</u>	<u>185,864,145</u>
Net assets at end of year	<u>\$ 93,311,210</u>	<u>\$ 41,078,192</u>	<u>\$ 59,226,955</u>	<u>\$ 193,616,357</u>

See accompanying notes to consolidated financial statements.

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 10,299,937	\$ 7,752,212
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized (gains) losses on permanent investments	(5,103,810)	(2,893,847)
Net realized and unrealized gains on funds held in trust by others	(1,550,222)	(296,887)
Net realized and unrealized (gains) losses on annuity and life income funds	(111,370)	17,817
Pension-related changes other than net periodic pension cost	(313,376)	(7,784)
Gain on retirement or disposition of buildings and equipment	-	(400)
Depreciation	5,055,488	4,860,506
Amortization of debt issuance costs	6,561	6,711
Contributions restricted for long-term investment	(95,745)	(342,188)
Interest and dividends restricted for permanent investment	(42,912)	(42,972)
Increase (decrease) in cash resulting from changes in assets and liabilities		
Accounts and notes receivable	304,796	135,701
Inventory, prepaid expenses and other	216,309	(885,324)
Accounts payable and accrued expenses	433,855	(33,967)
Annuity obligations	(279,628)	(69,864)
Deferred revenue, deposits and other liabilities	<u>451,292</u>	<u>(318,301)</u>
Net cash from operating activities	<u>9,271,175</u>	<u>7,881,413</u>
Cash flows from investing activities		
Proceeds from sales of land, buildings, and equipment	-	400
Purchases of land, buildings and equipment	(4,523,507)	(4,118,602)
Proceeds from sales of investments	17,221,559	35,019,269
Purchases of investments	(16,550,623)	(33,578,499)
Decrease in student loans receivable	<u>8,584</u>	<u>5,635</u>
Net cash used in investing activities	<u>(3,843,987)</u>	<u>(2,671,797)</u>
Cash flows from financing activities		
Proceeds from gifts restricted for long-term investment in:		
Endowment	27,408	274,989
Investment in land, buildings and equipment	<u>65,000</u>	<u>63,045</u>
	<u>92,408</u>	<u>338,034</u>
Other financing activities		
Principal repayments on bonds and notes payable	(1,170,797)	(3,526,366)
Interest and dividends restricted for reinvestment	<u>42,912</u>	<u>42,972</u>
Net cash used in financing activities	<u>(1,035,477)</u>	<u>(3,145,360)</u>
Net increase in cash and cash equivalents	4,391,711	2,064,256
Cash and cash equivalents at beginning of year	<u>47,359,444</u>	<u>45,295,188</u>
Cash and cash equivalents at end of year	<u>\$ 51,751,155</u>	<u>\$ 47,359,444</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 439,790	\$ 522,860
Purchases of land, buildings and equipment in accounts payable	862,677	857,764

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND MISSION

The Southern Baptist Theological Seminary (the “Seminary”), a Kentucky not-for-profit organization, conducts comprehensive programs of theological education. Following is the Seminary’s mission statement:

“Under the lordship of Jesus Christ, the mission of The Southern Baptist Theological Seminary is to be totally committed to the Bible as the Word of God, to the Great Commission as our mandate, and to be a servant of the churches of the Southern Baptist Convention by training, educating, and preparing ministers of the gospel for more faithful service.”

The programs of the Seminary focus on the development of ministerial competencies at the baccalaureate, basic professional post-baccalaureate, advanced professional and advanced research levels. The Seminary provides services to persons, churches and denominational entities through its programs of continuing education for ministry.

The Seminary is an agency of the Southern Baptist Convention (the “Convention”). In addition to providing substantial financial support to the Seminary, the Convention elects the Board of Trustees of the Seminary.

Basis of Consolidation: The Seminary is also affiliated with the Southern Seminary Foundation (the “Foundation”), a Kentucky not-for-profit corporation. The Foundation was formed, among other purposes, as a fundraising organization and administrator of certain funds to be used for the benefit of the Seminary. The Foundation is affiliated with the Seminary through common management. The Foundation does not reimburse the Seminary for use of facilities and other resources or common employees. The accounts of the Foundation have been included in the Seminary’s consolidated financial statements.

In addition, the Seminary has a wholly-owned subsidiary corporation, Village Manor, Inc. The accounts of Village Manor, Inc. are included in the consolidated financial statements of the Seminary. All intercompany transactions with Village Manor, Inc. are eliminated in the consolidation of the financial statements.

The Seminary has another wholly-owned subsidiary, Seminary Properties, LLC (“Seminary Properties”) that was established to provide student and multi-family housing. In pursuing this objective, Seminary Properties entered into a limited liability company as a 90% owner with LHD Grinstead South, LLC, a 10% owner, to form Grinstead Housing South, LLC (“Grinstead Housing”). Seminary Properties and Grinstead Housing are included in the consolidated financial statements of the Seminary and all intercompany transactions are eliminated in the consolidation of the financial statements. The 10% noncontrolling interest in Grinstead Housing is considered immaterial for presentation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The consolidated financial statements of the Seminary have been prepared on the accrual basis of accounting.

Resources are classified for accounting purposes into separate categories of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets have been grouped into the following categories:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions – Net assets whose use by the Seminary is subject to donor-imposed stipulations. Some restrictions are temporary in nature and can be fulfilled by actions of the Seminary pursuant to those stipulations or that expire with the passage of time. Other net assets with donor restrictions are perpetual in nature in that they neither expire with the passage of time nor can be fulfilled or otherwise removed by the Seminary.

The Seminary follows the policy of reporting donor restricted contributions and restricted endowment income in the consolidated statements of activities as increases in net assets with donor restrictions in the period received. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed stipulations that simultaneously increase one category of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Income Taxes: The Internal Revenue Service has determined that the Seminary is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Seminary is subject to federal income tax on any unrelated business taxable income.

Accounting principles generally accepted in the United States of America prescribe recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits or liabilities will be recognized only if the tax position would “more-likely-than-not” be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit or liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit or liability will be recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at July 31, 2024 and 2023 and does not expect this to change in the next 12 months.

The Seminary would recognize interest and penalties related to uncertain tax positions in interest and income tax expense, respectively. The Seminary has no amounts accrued for interest or penalties as of July 31, 2024 and 2023.

Seminary Properties is a single member limited liability company, wholly owned by the Seminary. Seminary Properties is a disregarded entity treated as part of the Seminary for federal income tax purposes although it is treated under state law as a separate legal entity.

Grinstead Housing is a for-profit organization which is treated as a partnership for income tax purposes. The income that is passed through to Seminary Properties is related business income and is not taxable to the Seminary.

Statement of Cash Flows: The Seminary considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Periodically throughout the year, the Seminary’s cash balance exceeds the amount insured by the Federal Deposit Insurance Corporation. Cash and cash equivalents representing assets of endowment and similar funds and annuity and life income funds are included in long-term investments.

The Seminary received total gifts of split-interest agreements of \$9,736 and \$51,000 in 2024 and 2023, respectively.

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THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts-in-kind of nonfinancial assets for 2024 and 2023, respectively were:

	<u>2024</u>	<u>2023</u>
Commodities	\$ -	\$ -
Library materials	<u>3,337</u>	<u>4,154</u>
	<u>\$ 3,337</u>	<u>\$ 4,154</u>

The Seminary recognized these contributed financial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions

It is the Seminary’s policy to sell all commodities contributed immediately upon receipt. All commodities were sold and valued according to the actual cash proceeds on their disposition.

The contributed library materials will be used for academic support activities. The materials are valued at the estimated fair value on the basis of estimates of wholesale values that would be received for selling similar items in the United States.

Cash paid for interest was \$439,790 and \$522,860 for the years ended July 31, 2024 and 2023, respectively, including interest capitalized of \$44,755 and \$59,759 in 2024 and 2023, respectively.

Accounts, Notes and Student Loans Receivable: Accounts and notes receivable primarily consists of student charges, employee advances and amounts due from vendors. Student loans receivable consists of long-term loans that bear interest at various rates and are repayable over various terms. Payment of student charges is due upon registration unless the student has been set up on a specific payment plan. Past due accounts for current students are charged interest at a rate of 18% per annum. There is no interest charged for past due rent or on accounts of former students. An allowance for credit losses is established for the estimated portion that will ultimately be uncollectible. When collection is considered unlikely, accounts are charged off to the allowance. Any subsequent recoveries are added to the allowance. The allowances are based on prior experience, current and expected economic conditions, and management’s analysis of specific receivables.

Contributions Receivable: Unconditional promises to give are recognized at fair value as receivables and revenue in the appropriate net asset category in the year in which the pledge is communicated by the donor. Contributions to be received within one year are recorded at their fair value, net of allowances. Contributions to be received in more than one year have been recorded at the net present value of the expected future cash flows, net of allowances. Contributions receivable are reviewed annually to determine if an allowance for uncollectible contributions receivable is needed.

Fundraising Expenses: Fundraising expenses totaled \$865,758 and \$852,329 in 2024 and 2023, respectively.

Investments: Investments in marketable securities are stated at fair value (based upon quoted market prices), and real estate investments from gifts are stated at fair value (based upon appraisals). Investments in alternative investments, other than private equities and a commercial real estate fund, are stated at fair value based upon amounts provided by the investment managers. Private equities and commercial real estate fund are recorded at cost in accordance with accounting principles generally accepted in the United States of America. Net unrealized and realized gains or losses are reflected in the consolidated statements of activities as a component of investment return.

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The investment in key man life insurance policies is stated at its cash surrender value provided by the insurance companies.

Investment income is reported net of investment expenses as a component of investment return. These expenses totaled \$252,491 and \$246,736 in 2024 and 2023, respectively.

As noted in Note 5, net appreciation on endowment fund investments, whose income is otherwise unrestricted as to use, is reported as net assets with donor restrictions until appropriated for expenditure by the Seminary. In cases where the donor has placed restrictions on the use of the income from endowed gifts, related net appreciation is subject to those restrictions and is reported as a part of net assets with donor restrictions until the restriction has been met.

Funds Held in Trust by Others: Certain income producing funds are held in trust by others. These funds represent resources neither in the possession nor under the control of the Seminary, but held and administered by outside trustees, with the Seminary deriving only income from such funds. These funds include various types of split-interest agreements including perpetual trusts, charitable gift annuities, charitable lead trusts, charitable remainder trusts, and pooled life income funds. The Seminary's percentage interest in the assets of each trust fund is recorded at fair value in the consolidated statements of financial position.

Inventories: Inventories are stated at cost using the first-in, first-out ("FIFO") method.

Land, Buildings and Equipment: Land, buildings and equipment are recorded at cost or, if donated, at fair value at the date of donation. Expenditures for land, buildings or equipment with a unit cost of \$5,000 or more and having a useful life greater than one year are capitalized. The Seminary capitalizes interest in connection with the construction of buildings. Actual costs related to the building qualify for interest capitalization. Interest capitalization ceases when the construction is complete, and the building is available for use. The Seminary lifts the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the long-lived assets are acquired. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and building improvements	25-100 years
Land improvements	20 years
Equipment, furniture and library books	3-15 years

Amortization of assets recorded under capital leases is included in depreciation expense. Upon disposition, buildings and equipment are removed from the records and any gain or loss is recognized.

Depreciation expense totaled \$5,055,488 and \$4,860,506 in 2024 and 2023, respectively.

Impairment of Long-Lived Assets: On an ongoing basis, the Seminary reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Seminary recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of July 31, 2024 and 2023, management believes that no impairments existed, except for the impairment discussed in Note 4.

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Deferred Revenue: Net tuition revenues consisted primarily of tuition, net of scholarships, and fees derived from courses taught by the Seminary, as well as from related educational resources that the Seminary provided to its students, such as access to online materials. Tuition revenue was recognized pro-rata over the applicable period of instruction. For the years ended July 31, 2024 and 2023, the Seminary's revenue was reduced by \$1,116,054 and \$1,069,415, respectively, as a result of scholarships that the Seminary offered to students.

The Seminary had no costs that were capitalized to obtain or to fulfill a contract with a customer.

Auxiliary revenues include primarily the following operations: student housing, food service, hotel, and bookstore. Charges to students for board and lodging are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered.

The following table presents revenues disaggregated by the nature of transfer of services for the years ended July 31, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Tuition and fees	\$ 24,082,131	\$ 23,724,832
Less: scholarships	<u>(1,116,054)</u>	<u>(1,069,415)</u>
Net tuition revenues	22,966,077	22,655,417
Student housing	4,543,985	4,485,979
Auxiliary revenues	<u>3,438,745</u>	<u>3,454,947</u>
Total revenues from contracts with customers	<u>\$ 30,948,807</u>	<u>\$ 30,596,343</u>

The Seminary presents amounts expended for scholarships as a reduction of tuition and fees revenue in the statement of activities and changes in net assets. Scholarships are funded from net assets with donor restrictions of the Seminary.

The Seminary's receivables represented unconditional rights to consideration from its contracts with students. Once a student is invoiced, payment is due by a registration payment deadline. Included in each invoice to the student were all educational related items including tuition, net of scholarships, housing, fees, etc. The Seminary did not have any contract assets. The Seminary's contract liabilities were reported as deferred revenue and student deposits in the consolidated statement of financial position. Deferred revenue and student deposits in any period represented the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the consolidated statement of activities and were reflected as liabilities in the accompanying consolidated statement of financial position. Some of the Seminary's education programs had starting and ending dates that differ from its fiscal year end. Therefore, at the end of the fiscal year end, a portion of revenue from these programs was not yet earned.

The Seminary had identified a performance obligation associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and used the output measure for recognition as the period of time over which the services were provided to our students. The Seminary had identified performance obligations related to its dining services and student housing and recognized revenue at the point in time services were provided to its customers.

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Seminary maintained an institutional tuition refund policy, which provided for all or a portion of tuition to be refunded if a student withdrew during stated refund periods. If a student withdrew at a time when only a portion, or none of the tuition was refundable, then in accordance with its revenue recognition policy, the Seminary continued to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The Seminary did not record revenue on amounts that were refunded.

Deferred revenue includes amounts received from students for tuition and fees and housing rent prior to the end of the fiscal year but related to the subsequent reporting period. Deferred revenue of \$1,322,686 and \$954,956 as of July 31, 2024 and 2023, respectively, is included with deferred revenue, deposits and other liabilities in the consolidated statements of financial position.

Cost Allocations: The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Seminary. These expenses include depreciation and amortization, interest, accounting, campus police, information technology, human resources, internal event management, mailing services, media production, and facilities operations and maintenance. Depreciation, campus police, and facilities operations and maintenance are allocated based on square footage, and interest is allocated based on usage of space. Costs of other categories are allocated based upon estimates of time and effort. See Note 16 for the schedule of functional expenses.

Derivative Instruments: All derivative instruments are recognized in the consolidated statements of financial position at their fair value. Interest received from, interest paid pursuant to, and changes in the fair value of interest rate swaps are recognized in the consolidated statements of activities.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant estimates included in the financial statements are the fair value of investment securities, the estimated lives of depreciable buildings and equipment, and post-retirement benefit obligations.

Adoption of New Accounting Standard: In February 2016, FASB issued ASU 2016-02 *Leases (Topic 842)*. The New Lease Standard requires lessees to recognize a lease liability and a right-of-use (ROU) asset on the statement of financial position for most operating leases, except for those leases with an original term of 12 months or less. Accounting for finance leases is substantially unchanged. The New Lease Standard is effective for fiscal years beginning after December 15, 2021, for non-public entities. The Seminary has adopted the ASU and has adjusted the presentation of these consolidated financial statements accordingly. See Note 13.

Leases: At the inception of an arrangement, the Seminary determines if the arrangement is a lease, or contains a lease, from all relevant facts and circumstances. Leases are classified as operating or finance leases at the lease commencement date. Operating leases are included in operating lease ROU assets, and operating lease obligations in our consolidated statement of financial position. Finance leases are included in finance lease ROU assets and finance lease obligations in the Seminary's consolidated statement of financial position. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less are not recorded on the statement of financial position.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ROU assets represent the Seminary's right to use an underlying asset for the lease term and lease obligations represent the Seminary's obligation to make lease payments arising from the lease. ROU assets and lease obligations are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. ROU assets also include prepaid rent and are adjusted by the unamortized balance of lease incentives.

As the implicit rate is generally not readily determinable for all of the Seminary's leases, the Seminary uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The Seminary gives consideration to outstanding debt as well as publicly available data for instruments with similar characteristics when calculating the Seminary's incremental borrowing rates.

Some leases may include one or more options to extend the lease, with extension terms that can extend the original lease term. The exercise of lease extension options is at the Seminary's sole discretion. The lease term includes options to extend or terminate the lease when it is reasonably certain that the Seminary will exercise that option. The Seminary generally concludes options to extend the lease are reasonably certain to be exercised when it is considered cost prohibitive to relocate operations or pursue alternative leased assets. Certain leases contain early termination penalties; however, as of July 31, 2024, it is not reasonably certain that the Seminary will exercise or become subject to such early termination penalties.

Certain leases may also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. The Seminary's lease agreements do not contain any residual value guarantees.

Equipment leases comprise the majority of the Seminary's leasing activities. We account for the lease and non-lease components of these leases as a single lease component.

Reclassifications: Certain amounts in the accompanying consolidated financial statements for the prior year have been reclassified to conform to current year presentation with no effect on net assets, change in net assets or net change in cash and cash equivalents.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to July 31, 2024 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended July 31, 2024. Management has performed their analysis through November 12, 2024, the date these financial statements were available to be issued.

(Continued)

NOTE 3 – FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America (“U.S. GAAP”) define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Seminary’s principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date and establish 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 three levels of inputs that may be used to measure fair value are described below:

Level 1: Quoted prices for 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; or other inputs that are observable or can be corroborated by observable market data.

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

The carrying amounts for cash and cash equivalents included in investments and as reported in the consolidated statements of financial position approximate their fair value.

The fair values of mutual fund equities, fixed income, and multi-asset securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs - market).

Asset-backed securities are issued by financial institutions and are valued using matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted securities (Level 2 inputs - market).

Alternative assets consist of hedge funds, commercial real estate funds, commercial debt funds, and private equities, all of which are held in partnership form. The majority of these alternative assets are carried at historical cost. However, the hedge funds are recorded at the net asset value (“NAV”) or fair value. Hedge funds are described as:

Hedge Funds – The Seminary’s hedge fund investments in open-ended funds that employ various investment strategies, including long/short and fund-of-funds. The funds’ objectives are to seek capital appreciation in excess of applicable broad market indices. The NAV of the hedge funds are determined by the investment manager, utilizing standard valuation procedures to assess the fair value of the underlying investment holdings. For holdings in marketable securities listed on national security exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. Each fund is subject to an annual audit. The Seminary’s management has determined that NAV is a reasonable and prudent estimate of valuations reported by each hedge fund investment manager. However, the hedge fund investments are not readily marketable, and its estimated value is subject to uncertainty. Therefore, there may be a material difference between the funds’ estimated value and the value that would have been used had a readily determinable fair value for such an investment existed. The Seminary may generally redeem substantially all or a portion of its investment in the hedge funds at the NAV after accrual of all fees no later than as of the last day of a calendar quarter upon prior written notice of at least 45 days.

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Payment of redemption proceeds will generally be made within 60 days of the redemption date; provided, however, that payment may be deferred to the extent there is a delay in the fund's receipt of proceeds from the portfolio funds.

Private equities, where impairment has been taken (see Note 4) are also recorded at fair value (Level 3 – market and income).

The fair value of the funds held in trust by others (or any type of beneficial interest) is based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates the fair value of investment holdings, which are readily marketable securities, valued at quoted prices and incorporates assumptions that market participants would use in estimating future distributed income. The Seminary does not have the ability to redeem the investment within 90 days (Level 3 inputs - market). The Seminary is able to compare the valuation model inputs and results to widely available published industry data for reasonableness.

The Seminary's only derivative financial instruments are three interest rate swap agreements. Interest rate swaps do not have observable market quotes. For these financial instruments, the Seminary's swap counterparty (a financial institution) provides an annual valuation using the difference between the fixed rate paid by the Seminary and the counterparty's LIBOR/SOFR interest rate forecast discounted at the swap yield curve. The model is based on observable inputs for forward interest rates and discount rates. As such, this derivative instrument is classified within (Level 2 – market) of the fair value hierarchy.

As of July 31, 2024, the Seminary had remaining commitments for future investment into the alternative investment funds of approximately \$5,186,283.

The Seminary's investments measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at July 31 Using:			Net Asset Value	Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<u>2024</u>					
Assets					
Long-term investments					
Cash and cash equivalents	\$ 477,251	\$ -	\$ -	\$ -	\$ 477,251
Mutual funds					
Equities	43,217,300	-	-	-	43,217,300
Fixed income	17,729,825	-	-	-	17,729,825
Multi-asset	2,258,065	-	-	-	2,258,065
Asset-backed securities	-	1,093,712	-	-	1,093,712
Alternative investments					
Hedge funds	-	-	-	9,035,278	9,035,278
Total long-term investments	<u>63,682,441</u>	<u>1,093,712</u>	<u>-</u>	<u>9,035,278</u>	<u>73,811,431</u>
Funds held in trust by others	-	-	26,880,980	-	26,880,980
Interest rate swap agreement	-	409,932	-	-	409,932
	<u>\$ 63,682,441</u>	<u>\$ 1,503,644</u>	<u>\$ 26,880,980</u>	<u>\$ 9,035,278</u>	<u>\$ 101,102,343</u>
<u>2024</u>					
Liabilities					
Interest rate swap agreements	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

	Fair Value Measurements at July 31 Using:				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Total
<u>2023</u>					
Assets					
Long-term investments					
Cash and cash equivalents	\$ 1,086,670	\$ -	\$ -	\$ -	\$ 1,086,670
Mutual funds					
Equities	32,824,392	-	-	-	32,824,392
Fixed income	18,173,766	-	-	-	18,173,766
Multi-asset	5,796,314	-	-	-	5,796,314
Asset-backed securities	-	1,198,104	-	-	1,198,104
Alternative investments					
Hedge funds	-	-	-	8,965,573	8,965,573
Total long-term investments	57,881,142	1,198,104	-	8,965,573	68,044,819
Funds held in trust by others	-	-	25,758,268	-	25,758,268
Interest rate swap agreement	-	586,794	-	-	586,794
	<u>\$ 57,881,142</u>	<u>\$ 1,784,898</u>	<u>\$ 25,758,268</u>	<u>\$ 8,965,573</u>	<u>\$ 94,389,881</u>
<u>2023</u>					
Liabilities					
Interest rate swap agreements	\$ -	\$ -	\$ -	\$ -	\$ -

The table below sets forth a summary of the changes in fair value of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended July 31, 2024:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Balance at Beginning of Year	Realized and Unrealized Gains, Net	Additions	Distributions	Balance at End of Year
Funds held in trust by others	\$ 25,758,268	\$ 1,661,592	\$ 9,736	\$ (548,616)	\$ 26,880,980

The amount of total gains or losses for the year ended July 31, 2024 included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at July 31, 2024 were as follows:

Funds held in trust by others	<u>\$ 1,732,841</u>
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(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The table below sets forth a summary of the changes in fair value of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended July 31, 2023:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				Balance at End of Year
	Balance at Beginning of Year	Realized and Unrealized Gains, Net	Additions	Distributions	
Funds held in trust by others	<u>\$ 25,820,614</u>	<u>\$ 282,045</u>	<u>\$ 51,000</u>	<u>\$ (395,391)</u>	<u>\$ 25,758,268</u>

The amount of total gains or losses for the year ended July 31, 2023 included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at July 31, 2023 were as follows:

Funds held in trust by others	<u>\$ 700,189</u>
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NOTE 4 – LONG-TERM INVESTMENTS

A summary of investments by asset type at July 31, 2024 and 2023 is as follows:

	<u>2024 Fair Value</u>	<u>2023 Fair Value</u>
Investment pool		
Cash and cash equivalents	\$ 405,844	\$ 1,018,946
Mutual Funds		
Equities	43,090,454	32,703,484
Fixed income	16,990,441	17,489,484
Multi-asset	2,176,670	5,720,191
Asset-backed securities	1,093,712	1,198,104
Alternative assets		
Hedge funds	<u>9,035,278</u>	<u>8,965,573</u>
Total investment pool	<u>72,792,399</u>	<u>67,095,782</u>
Other investments		
Cash and cash equivalents	71,407	67,724
Mutual Funds		
Equities	126,846	120,908
Fixed Income	739,384	684,282
Multi-asset	<u>81,395</u>	<u>76,123</u>
Total other investments	<u>1,019,032</u>	<u>949,037</u>
Total investments at fair value	<u>\$ 73,811,431</u>	<u>\$ 68,044,819</u>

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 4 – LONG-TERM INVESTMENTS (Continued)

	2024 <u>Cost</u>	2023 <u>Cost</u>
Investment pool		
Alternative assets		
Commercial real estate funds	\$ -	\$ 247,184
Private equities	6,773,936	7,366,353
Key man life insurance policies	<u>4,968,214</u>	<u>4,923,470</u>
Total investment pool	<u>11,742,150</u>	<u>12,537,007</u>
Other investments		
Alternative assets		
Private equities	<u>175,050</u>	<u>175,050</u>
Total other investments	<u>175,050</u>	<u>175,050</u>
Total investments at cost	<u>\$ 11,917,200</u>	<u>\$ 12,712,057</u>
Investments at fair value	\$ 73,811,431	\$ 68,044,819
Investments at cost	<u>11,917,200</u>	<u>12,712,057</u>
Total long-term investments	<u>\$ 85,728,631</u>	<u>\$ 80,756,876</u>

Certain alternative investments of the Seminary are carried at cost. Following is a description of each of these alternative asset types:

Commercial Real Estate Funds – As of July 31, 2023, the Seminary’s Commercial Real Estate Fund Investments included one fund that employs an opportunistic hybrid investment strategy that focuses on short-term debt and equity investments in commercial real estate within the United States. The funds focused on property types that the manager believes are undervalued or poised for recovery. Distributions were made by the funds from its interest, dividends and other income, and upon a disposition of underlying assets, but as a limited partner, the Seminary will not generally have any influence over the timing of such distributions.

Private Equities – As of July 31, 2024, the Seminary’s private equities were direct investments in six companies, including one which owns and leases a hospital and two medical office buildings, a second company that operates the hospital leased from the first company, one that owns the assets of an operating company in a niche of the aviation industry, one that owns certain assets of a company operating in a niche of the agricultural industry, one that owns and operates a teak timber plantation, and one that was created to acquire and renovate new facilities for a company involved in a niche of the aviation industry. At the discretion of the manager of each of these companies, distributions may be made to investors from the net cash flows; but as a member, the Seminary will not generally have any influence over the timing of such distributions. The Seminary will also participate in liquidating distributions, but specific dates for liquidation of each company are not provided for in the partnership agreements.

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 4 – LONG-TERM INVESTMENTS (Continued)

Unless there are identified events or changes in circumstances that would have a significant adverse effect on the fair value of these investments, the fair value of the cost-method investments is not estimated. In a prior fiscal year, the Seminary believed that changes in the circumstances of one of its private equity investments indicated that the investment had experienced a more than temporary impairment that has significantly impacted the fair value of those investments. There were no Impairment charges recognized for the years ended July 31, 2024 and 2023.

The Seminary has established an investment pool and allocates units of ownership interest based on the fair value per unit at the end of the month preceding the month in which a transaction occurs. The following table summarizes the relationship between carrying values of investment assets in the investment pool and the carrying value per unit at July 31, 2024 and 2023:

	2024		2023	
	Carrying Value	Carrying Value Per Unit	Carrying Value	Carrying Value Per Unit
Balance at end of year	\$ 84,534,549	\$ 6.41	\$ 79,632,790	\$ 6.08
Balance at beginning of year	<u>79,632,790</u>	<u>6.08</u>	<u>77,854,153</u>	<u>6.00</u>
Increase	<u>\$ 4,901,759</u>	<u>\$ 0.33</u>	<u>\$ 1,778,637</u>	<u>\$ 0.08</u>

NOTE 5 – ENDOWMENT FUNDS

Effective July 2010, the *Uniform Prudent Management of Institutional Funds Act* (“UPMIFA”) was adopted by the Commonwealth of Kentucky. The Seminary interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Seminary classifies as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions restricted by purpose or passage of time until those amounts are appropriated for expenditure by the Seminary in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Seminary considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Seminary
- (7) The investment policies of the Seminary

The Financial Board of the Board of Trustees of the Seminary is charged with the responsibility of managing the endowment assets in the Seminary’s investment pool.

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 5 – ENDOWMENT FUNDS (Continued)

The Financial Board believes its role is one of setting and reviewing investment policy and retaining, monitoring, and evaluating advisors and investment managers, and to invest these funds in accordance with the ethical and moral witness principles of the Seminary. The Financial Board reviews the investment policy at least annually.

The primary objective of the investment pool is to earn a real total return, net of all fees incurred, sufficient to provide sustainable distributions to support the Seminary’s mission and protect, and where prudent, increase, the purchasing power of the assets in the investment pool. The Trustees adhere to modern portfolio theory, which has, as its basis, risk reduction through diversification. Diversification is obtained through the use of multiple asset classes as well as multiple investments within these asset classes. Asset classes that may be used include (but are not limited to) domestic and international stocks and bonds, alternative investments (hedge funds, private equity, venture capital and absolute return funds) and real property (real estate, commodities and natural resources). It is expected that this objective will be achieved with the minimum possible risk to the investment pool. The funds are to be invested to maximize return within appropriate risk tolerances, with the expectation that over a long-time horizon there is a reasonable expectation that the funds will be able to achieve both distribution and purchasing power goals. The investment strategy is implemented through the selection of external advisors and managers with expertise and successful histories in the management of specific asset classes.

The spending rule within the Seminary’s investment policy further provides for an annual payout of up to 5% of the trailing 12-quarter rolling average of the market value of the investment pool. The specific percentage to be paid out is determined annually in conjunction with budget authorization. In 2024 and 2023, distributions made from the investment pool to support the Seminary’s mission amounted to 4.05% and 4.35% based on the 12-quarter rolling average fair value of the investment pool for the periods ended July 31, 2024 and 2023, respectively.

Endowment net assets, a component of the Seminary’s investment pool, at fair value by type of fund as of July 31, 2024 and 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2024</u>			
Endowment net assets:			
Donor-restricted endowment funds	\$ (79,362)	\$ 69,164,993	\$ 69,085,631
Board-designated funds	<u>11,930,816</u>	<u>-</u>	<u>11,930,816</u>
Total endowment net assets	<u>\$ 11,851,454</u>	<u>\$ 69,164,993</u>	<u>\$ 81,016,447</u>
<u>2023</u>			
Endowment net assets:			
Donor-restricted endowment funds	\$ (107,552)	\$ 65,438,178	\$ 65,330,626
Board-designated funds	<u>10,998,362</u>	<u>-</u>	<u>10,998,362</u>
Total endowment net assets	<u>\$ 10,890,810</u>	<u>\$ 65,438,178</u>	<u>\$ 76,328,988</u>

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 5 – ENDOWMENT FUNDS (Continued)

Changes in endowment net assets by type of fund for the years ended July 31, 2024 and 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2024</u>			
Endowment net assets at beginning of year	\$ 10,890,810	\$ 65,438,178	\$ 76,328,988
Additions	322,084	202,627	524,711
Withdrawals	-	-	-
Interest and dividends	673,504	1,650,644	2,324,148
Realized/unrealized gains/(losses)	843,995	3,987,631	4,831,626
Appropriation of endowment assets for expenditure	<u>(878,939)</u>	<u>(2,114,087)</u>	<u>(2,993,026)</u>
Endowment net assets at end of year	<u>\$ 11,851,454</u>	<u>\$ 69,164,993</u>	<u>\$ 81,016,447</u>
<u>2023</u>			
Endowment net assets at beginning of year	\$ 10,406,574	\$ 64,191,362	\$ 74,597,936
Additions	304,264	349,668	653,932
Withdrawals	-	(31,320)	(31,320)
Interest and dividends	454,646	1,129,545	1,584,191
Realized/unrealized gains/(losses)	672,474	2,108,575	2,781,049
Appropriation of endowment assets for expenditure	<u>(947,148)</u>	<u>(2,309,652)</u>	<u>(3,256,800)</u>
Endowment net assets at end of year	<u>\$ 10,890,810</u>	<u>\$ 65,438,178</u>	<u>\$ 76,328,988</u>

A board-designated or donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. At times, the Seminary may have individual board-designated or donor-restricted endowment funds that are underwater. The Seminary has a policy that permits spending from underwater funds depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations. At July 31, 2024 and 2023, there were 72 and 91 individual funds underwater, respectively, and the amount by which board-designated and donor-restricted funds were underwater, is calculated as follows:

	<u>2024</u>	<u>2023</u>
Aggregate original gift value	\$ 9,836,662	\$ 15,985,280
Aggregate fair value	<u>9,178,609</u>	<u>14,642,363</u>
Aggregate deficiency	<u>\$ 658,053</u>	<u>\$ 1,342,917</u>

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 6 – FUNDS HELD IN TRUST BY OTHERS

At July 31, 2024 and 2023, the funds held in trust by others were comprised of the following:

	<u>2024</u>	<u>2023</u>
Amounts subject to withdrawal by the Seminary	\$ 2,357,591	\$ 2,184,015
Amounts not subject to withdrawal by the Seminary	<u>24,523,389</u>	<u>23,574,253</u>
Total funds held in trust by others	<u>\$ 26,880,980</u>	<u>\$ 25,758,268</u>

NOTE 7 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at July 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 7,040,342	\$ 7,013,371
Buildings and building improvements	109,524,825	107,793,672
Furniture, equipment and books	30,329,377	28,754,530
Construction in progress	<u>5,186,287</u>	<u>3,983,359</u>
	152,080,831	147,544,932
Accumulated depreciation	<u>(91,611,856)</u>	<u>(86,564,921)</u>
Land, buildings and equipment, net	<u>\$ 60,468,975</u>	<u>\$ 60,980,011</u>

Outstanding commitments for construction of facilities as of July 31, 2024 and 2023 were \$542,737 and \$833,758, respectively.

The Seminary has identified several of its buildings that have a conditional asset retirement obligation related to asbestos abatement. The Seminary has adopted a plan to renovate one of those buildings and the fair value of the asset retirement obligation was estimated. The liability was \$234,000 as of both July 31, 2024 and 2023.

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 8 – NOTES PAYABLE

Notes payable at July 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
<p>Bank term loan dated January 2, 2013, in the original amount of \$3,850,000. The proceeds of this Seminary loan were used to repay the balances upon maturity of (i) the loan assumed January 25, 2005, from Village Manor Partners, Ltd., (ii) the bank term loan dated June 30, 2004, and (iii) the bank term loan dated October 20, 2003. The terms of the loan require monthly principal and interest payments. The loan's variable interest rate is based on one-month index rate (LIBOR through June 2023 and SOFR thereafter) plus 1.90% and was 4.16% at July 31, 2022. The monthly principal payments were based on a 20-year amortization. The loan matured in January 2023 and was collateralized by the Seminary's campus real estate and a pledge of gross revenues. (A)</p>	\$ -	\$ -
<p>Bank term loan dated October 26, 2013 in the amount of \$10,000,000 with up to a twenty-four (24) month draw period. The proceeds of this loan (along with the term loan dated October 10, 2013) were used to finance the cost of phase 1 of the Seminary's campus master plan, the primary components of which are the rehabilitation of existing administrative offices and dormitories, and the construction of a new road to loop around the campus. The terms of the loan require monthly principal and interest payments. The loan's variable interest rate is based on one-month index rate (LIBOR through June 2023 and SOFR thereafter) plus 1.90% multiplied by 65% and was 4.79% and 4.59% at July 31, 2024 and 2023, respectively. The monthly principal payments are based on a 20-year amortization. The loan matures in October 2024 and is collateralized by the Seminary's campus real estate and a pledge of gross revenues. (B)</p>	5,902,525	6,382,923

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 8 – NOTES PAYABLE (Continued)

	<u>2024</u>	<u>2023</u>
<p>Bank term loan dated October 10, 2013 in the amount of \$10,000,000 with up to a twenty-four (24) month draw period. The proceeds of this loan (along with the term loan dated October 26, 2013) were used to finance the cost of phase 1 of the Seminary's campus master plan, the primary components of which are the rehabilitation of existing administrative offices and dormitories, and the construction of a new road to loop around the campus. The terms of the loan require monthly principal and interest payments. The loan's variable interest rate is based on one-month index rate (LIBOR through June 2023 and SOFR thereafter) plus 1.90% multiplied by 65% and was 4.79% and 4.75% at July 31, 2024 and 2023, respectively. The monthly principal payments are based on a 20-year amortization. The loan matures in October 2024 and is collateralized by the Seminary's campus real estate and a pledge of gross revenues. (B)</p>	\$ 5,902,525	\$ 6,382,924
<p>Bank term loan dated March 3, 2021, with Grinstead Housing as borrower, and the Seminary as guarantor. The entire proceeds of \$2,331,656 were used to pay off the bank term loan due to mature on March 2, 2021. The terms of the loan require monthly principal and interest payments based on a 20-year amortization. The loan matures in March 2026. The variable interest rate on the loan was based on one-month index rate (LIBOR through June 2023 and SOFR thereafter) plus 2.00% was 7.46% and 7.21% at July 31, 2024 and 2023, respectively. The loan was collateralized by the Seminary's campus real estate. (C)</p>	<u>1,631,656</u>	<u>1,841,656</u>
Total notes payable	<u>\$ 13,436,706</u>	<u>\$ 14,607,503</u>

(A) The Seminary entered into an interest rate swap on November 2, 2012, which became effective on January 2, 2013, with an initial notional amount of \$3,850,000. Throughout its 10-year term, the scheduled notional amount of the swap agreement is equal to the scheduled outstanding principal balance of the related bank term loan described above. The swap agreement provides that the Seminary will receive a variable interest amount based upon one-month index rate (LIBOR through June 2023 and SOFR thereafter) plus 1.90% and will pay a fixed interest rate of 3.82%.

In 2024 and 2023, the excess of the amounts paid over the amounts received under the swap agreement amounted to \$0 and (\$16,148) respectively, which is included in interest expense. The fair value of the swap agreement was \$0 and \$0 at July 31, 2024 and 2023, respectively

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 8 – NOTES PAYABLE (Continued)

(B) The Seminary entered into an interest rate swap on October 10, 2012, which became effective on October 1, 2014, with an initial notional amount of \$20,000,000. During the first 10 years of its 20-year term, the scheduled notional amount of the swap agreement is expected to approximate the sum of the scheduled outstanding principal balances of the two related bank term loans dated October 10 and October 26, 2013, described above. The swap agreement provides that the Seminary will receive a variable interest amount based upon 65% of one-month index rate (LIBOR through June 2023 and SOFR thereafter) and will pay a fixed interest rate of 3.137%.

In 2024 and 2023, the excess of the amounts received over the amounts paid under the swap agreement amounted to \$206,647 and \$117,895, respectively, which is included in interest expense. The fair value of the swap agreement was \$330,578 and \$443,294 at July 31, 2024 and 2023, respectively, and is included in inventory, prepaid expenses and other assets as of July 31, 2024 and in deferred revenue, deposits, and other liabilities in the consolidated statements of financial position as of July 31, 2023. The decrease in fair value in 2024 decreased net assets by \$112,716 and the increase in fair value in 2023 increased net assets by \$614,149 in the consolidated statement of activities in 2024 and 2023, respectively.

(C) On March 3, 2021, Grinstead Housing entered into an interest rate swap agreement effective that day with an initial notional amount of \$2,331,656. Throughout its 5-year term, the scheduled notional amount of the swap agreement is equal to the scheduled outstanding principal balance of the bank term loan dated March 3, 2021 described above. The swap agreement provides that Grinstead Housing will receive a variable interest amount based upon one-month index rate (LIBOR through June 2023 and SOFR thereafter) plus 2.00% and will pay a fixed interest rate of 2.9075%.

In 2024 and 2023, the excess of the amounts received over the amounts paid under the swap agreement amounted to \$79,491 and \$63,009, respectively, which is included in interest expense. The fair value of the swap agreement was \$79,354 and \$143,499 at July 31, 2024 and 2023, respectively, and is included in inventory, prepaid expenses and other assets as of July 31, 2024 and 2023 in the consolidated statements of financial position. The decrease in fair value in 2024 decreased net assets by \$64,145 and the increase in fair value in 2023 increased net assets by \$39,624 in the consolidated statement of activities in 2024 and 2023, respectively.

The following is a summary of scheduled principal repayments on the above notes payable:

Year ending July 31,	
2025	\$ 12,015,050
2026	1,421,656
2027	-
2028	-
2029	-
Thereafter	-
	<hr/>
Total principal repayments	<u>\$ 13,436,706</u>

The Seminary's note agreements contain both financial and non-financial covenants. At July 31, 2024 and 2023, the Seminary reported compliance with all of the covenants contained in the agreements.

Subsequent to fiscal year-end, the outstanding bank loans dated October 10, 2013 and October 26, 2013 which were due to mature in October 2024, and the underlying swap agreement, effective October 1, 2014, were fully settled and the outstanding debt obligation fully satisfied in August 2024.

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions restricted by purpose or passage of time are available for the following purposes at July 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Educational and general	\$ 22,572,656	\$ 20,396,315
Student financial aid	16,700,396	14,908,073
Student loans	248,753	221,993
Operation and maintenance of facilities	26,993	24,089
Acquisition of property and equipment	264,940	269,789
Other	<u>5,002,471</u>	<u>5,257,933</u>
Total	<u>\$ 44,816,209</u>	<u>\$ 41,078,192</u>

Net assets with donor restrictions are restricted to investment in perpetuity, the income from which is expendable to support the following purposes at July 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Educational and general	\$ 37,665,730	\$ 36,526,140
Student financial aid	18,898,095	18,270,589
Student loans	4,082,653	4,025,908
Operation and maintenance of facilities	175,162	173,867
Other	<u>371,020</u>	<u>230,451</u>
Total	<u>\$ 61,192,660</u>	<u>\$ 59,226,955</u>

NOTE 10 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when expenses were incurred that satisfied the restricted purposes or by occurrence of other events as specified by the donors. The purposes of the restricted income released during 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Satisfaction of program restrictions for:		
Instruction	\$ 1,417,641	\$ 1,494,734
Academic Support	317,442	311,308
Administrative and general	87,408	96,723
Student financial aid	1,116,054	1,069,415
Student Services	75,212	83,773
Operation and maintenance of facilities	38,496	38,532
Acquisition of property and equipment	150,599	203,321
Auxiliary	1,548	1,068
Satisfaction of time restrictions	<u>306,005</u>	<u>307,784</u>
Total net assets released from restrictions	<u>\$ 3,510,405</u>	<u>\$ 3,606,658</u>

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 11 – PENSION PLAN

The Seminary has a contributory defined contribution pension plan for substantially all of its full-time employees. The Seminary contributes 10% of each participant's salary and, following attainment of specified years of full-time employment, will contribute up to an additional 5% if matched by the participant. Pension plan contributions were \$1,515,150 and \$1,400,093 for 2024 and 2023, respectively.

NOTE 12 – POSTRETIREMENT BENEFITS

Prior to 2000, the Seminary had sponsored a postretirement health care and term life insurance benefits plan for all full-time employees who retired after attaining age 65 prior to July 31, 1995. For employees who retired subsequent to July 31, 1995, the Seminary did not provide health care or life insurance benefits. During 2000, the Seminary initiated sponsorship of postretirement health care and term life insurance benefits to all full-time employees who retired after attaining their Social Security Normal Retirement Age and completing at least 15 years of service at the Seminary.

Effective January 1, 2006, the Seminary amended its plan to provide retired participants with Medicare supplement coverage (similar to that previously offered, except that the revised supplement policy did not incorporate a prescription drug benefit) and a separate Medicare Part D prescription drug benefit.

During 2007, the Seminary revised its plan to provide postretirement health care and term life insurance benefits to all full-time employees after age 65 who retire after age 59 years, 6 months, and have completed at least 10 years of service at the Seminary.

The postretirement benefits provided by the Seminary for covered retirees range between 25% and 100% of the participants' health care and term life premiums. The Seminary reserves the right to change or terminate the benefits at any time.

Following is a summary of the components of the postretirement health care and term life insurance benefits plan and a reconciliation to the amounts recognized in accrued postretirement benefit cost in the accompanying consolidated statements of financial position for 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Change in benefit obligations		
Benefit obligation at beginning of year	\$ 4,208,040	\$ 4,215,824
Service cost	121,892	147,261
Interest cost	225,461	187,014
Actuarial (gain)/loss	(422,343)	(128,019)
Benefits paid	(86,379)	(83,392)
Gain recognized	<u>(152,007)</u>	<u>(130,648)</u>
Benefit obligation at end of year recognized in the consolidated statements of financial position	<u>\$ 3,894,664</u>	<u>\$ 4,208,040</u>
Funded status	<u>\$ (3,894,664)</u>	<u>\$ (4,208,040)</u>
Weighted average discount rate assumption as of July 31	5.37%	5.29%

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 12 – POSTRETIREMENT BENEFITS (Continued)

Amounts not yet recognized as components of net periodic benefit costs are as follows at July 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Unrecognized prior service costs	\$ -	\$ -
Unrecognized net actuarial gain	2,317,614	1,895,271

The amounts not yet recognized that will be recognized during the year ending July 31, 2025 are as follows:

Unrecognized prior service costs	\$ -
Unrecognized net actuarial gain	(196,750)

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 4.40% for medical and 6.60% for prescription coverage in 2024 and was 4.30% for medical and 7.50% for prescription coverage in 2023, adjusted gradually thereafter to an ultimate rate of 4.40% for medical and 4.87% for prescription coverage in the year 2031.

The effect of a one-percentage point increase and decrease in the assumed health care cost trend rate is as follows at July 31, 2024 and 2023:

	<u>2024</u>		<u>2023</u>	
	<u>Impact (-1%)</u>	<u>Impact (+1%)</u>	<u>Impact (-1%)</u>	<u>Impact (+1%)</u>
Aggregate of the service and interest cost components of net periodic postretirement healthcare benefit cost	\$ (53,536)	\$ 70,271	\$ (55,206)	\$ 73,633
Accumulated postretirement benefit obligation for health care benefits	(455,285)	571,657	\$ (492,193)	\$ 613,867
Components of net periodic benefit cost:			<u>2024</u>	<u>2023</u>
Service cost			\$ 121,892	\$ 147,261
Interest cost			225,461	187,014
Net amortization cost			-	-
Actuarial gain recognized			<u>(152,007)</u>	<u>(130,648)</u>
Total net periodic benefit cost			<u>\$ 195,346</u>	<u>\$ 203,627</u>

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 12 – POSTRETIREMENT BENEFITS (Continued)

The Seminary estimates the following future benefits that are expected to be paid:

<u>Year</u>	<u>Amount</u>
2025	\$ 138,322
2026	153,603
2027	160,888
2028	163,727
2029	171,254
2030 – 2034	1,019,481

NOTE 13 – LEASES

The Seminary leases vehicles and equipment under four noncancelable operating leases expiring at various dates through 2027. The discount rate represents either the interest rate implicit in the lease or the Seminary's incremental borrowing rate using a term comparable with that of the individual lease terms. Two leases require monthly payments totaling \$5,011, one lease requires quarterly payments totaling \$3,297, and one lease requires semi-annual payments totaling \$18,240. Discount rates on these leases range from 1.98% to 18.14%.

The Seminary currently has no finance leases.

A summary of amounts included in the consolidated statement of financial position is as follows:

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Operating right-of-use assets	\$ 199,023	\$ 133,431
<u>Liabilities</u>		
Operating lease obligations	\$ 201,278	\$ 133,431
Weighted average remaining lease term (years)	2.10	2.03
Weighted average discount rate	6.73%	6.50%
<u>Lease costs</u>		
Operating lease costs	\$ 113,148	\$ 92,001

Future minimum lease payments required under operating leases, that have an initial or renewing non-cancelable lease term in excess of one year, are as follows:

2025	\$ 89,709
2026	53,231
2027	43,161
2028	41,059
	<u>227,160</u>
Less imputed interest	<u>(25,882)</u>
Total future minimum lease payments	<u>\$ 201,278</u>

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 14 – CONTINGENCIES

The Seminary is a party to various litigation and other claims in the ordinary course of business. Seminary officials are of the opinion, based upon the advice of legal counsel, that the ultimate resolution of these matters will not have a material effect on the financial statements of the Seminary.

NOTE 15 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 51,751,155	\$ 47,359,444
Accounts and notes receivable, net	971,173	1,275,969
Working capital investments	1,019,032	949,037
Endowment spending payout	<u>3,211,782</u>	<u>3,124,694</u>
 Total financial assets available for general expenditure within one year	 <u>\$ 56,953,142</u>	 <u>\$ 52,709,144</u>

The Seminary's endowment funds consist of donor-restricted endowments and funds designed by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Seminary's board-designated endowment of \$11,930,816 and \$10,998,362 as of July 31, 2024 and 2023, respectively, is subject to a budgeted annual spending rate of 4.50%. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditures as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of our liquidity management plan, we structure financial assets to be available as the general expenditures, liabilities and other obligations become due. In addition, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of funds functioning as endowment to its operating reserve, which was \$2,500,000 as of July 31, 2024.

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024 and 2023

NOTE 16 – FUNCTIONAL EXPENSES

	2024								
	Program Services				Supporting Services				
	Instruction	Student Services	Auxiliary - Housing	Other Auxiliary	Total Program Services	Institutional Support	Academic Support	Total Supporting Services	Total Expenses
Salaries and wages	\$ 9,664,109	\$ 3,611,869	\$ 738,143	\$ 825,248	\$ 14,839,369	\$ 3,867,036	\$ 1,449,833	\$ 5,316,869	\$ 20,156,238
Employee benefits	1,715,127	1,320,448	216,385	280,480	3,532,440	1,039,743	459,077	1,498,820	5,031,260
Travel	241,963	407,599	4,730	7,340	661,632	381,105	77,825	458,930	1,120,562
Supplies, printing and postage	204,995	384,564	27,876	128,132	745,567	445,793	144,373	590,166	1,335,733
Services, contracts and professional fees	1,205,482	1,335,166	1,682,380	1,960,041	6,183,069	2,358,838	498,277	2,857,115	9,040,184
Utilities, maintenance and insurance	661,950	828,332	1,286,801	297,962	3,075,045	1,529,372	323,354	1,852,726	4,927,771
Depreciation and amortization	441,274	274,550	2,375,543	608,473	3,699,840	1,082,998	272,650	1,355,648	5,055,488
Interest	-	-	369,671	(209)	369,462	29,639	-	29,639	399,101
Other	152,251	510,781	41,011	800,482	1,504,525	877,397	32,070	909,467	2,413,992
Total functional expenses	\$ 14,287,151	\$ 8,673,309	\$ 6,742,540	\$ 4,907,949	\$ 34,610,949	\$ 11,611,921	\$ 3,257,459	\$ 14,869,380	\$ 49,480,329

	2023								
	Program Services				Supporting Services				
	Instruction	Student Services	Auxiliary - Housing	Other Auxiliary	Total Program Services	Institutional Support	Academic Support	Total Supporting Services	Total Expenses
Salaries and wages	\$ 9,128,076	\$ 3,404,285	\$ 687,628	\$ 801,690	\$ 14,021,679	\$ 3,659,091	\$ 1,426,879	\$ 5,085,970	\$ 19,107,649
Employee benefits	1,597,706	1,222,569	220,646	284,451	3,325,372	1,009,206	461,802	1,471,008	4,796,380
Travel	238,526	326,382	5,243	9,527	579,678	399,129	79,147	478,276	1,057,954
Supplies, printing and postage	180,151	409,774	32,245	142,374	764,544	456,009	150,393	606,402	1,370,946
Services, contracts and professional fees	969,540	1,083,352	1,473,447	1,969,120	5,495,459	2,013,691	542,383	2,556,074	8,051,533
Utilities, maintenance and insurance	569,647	793,614	1,217,891	265,234	2,846,386	1,581,800	429,673	2,011,473	4,857,859
Depreciation and amortization	424,672	271,116	2,322,954	599,644	3,618,386	948,677	293,443	1,242,120	4,860,506
Interest	-	-	405,540	18,262	423,802	28,172	-	28,172	451,974
Other	147,517	450,155	58,654	793,306	1,449,632	609,222	30,583	639,805	2,089,437
Total functional expenses	\$ 13,255,835	\$ 7,961,247	\$ 6,424,248	\$ 4,883,608	\$ 32,524,938	\$ 10,704,997	\$ 3,414,303	\$ 14,119,300	\$ 46,644,238

SUPPLEMENTAL INFORMATION

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
July 31, 2024

	The Southern Baptist Theological Seminary	Village Manor, Inc.	Seminary Properties, LLC	Grinstead Housing South, LLC	Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 50,074,978	\$ 99,746	\$ 488,424	\$ 1,088,007	\$ -	\$ 51,751,155
Accounts and notes receivable, less allowance for doubtful accounts of \$30,000	917,805	(585)	(55)	51,539	2,469	971,173
Student loans receivable, less allowance for doubtful accounts of \$1,000	16,929	-	-	-	-	16,929
Inventory, prepaid expenses and other	<u>2,081,043</u>	<u>-</u>	<u>-</u>	<u>79,354</u>	<u>-</u>	<u>2,160,397</u>
Total current assets	53,090,755	99,161	488,369	1,218,900	2,469	54,899,654
Investments in subsidiaries	2,388,321	-	1,800,791	-	(4,189,112)	-
Land, buildings and equipment, net of accumulated depreciation	58,134,609	-	-	2,334,366	-	60,468,975
Right of use asset – operating leases	199,023	-	-	-	-	199,023
Long-term investments	85,728,631	-	-	-	-	85,728,631
Funds held in trust by others	26,880,980	-	-	-	-	26,880,980
Real estate held for sale and other	<u>499,148</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>499,147</u>
Total assets	<u>\$ 226,921,467</u>	<u>\$ 99,161</u>	<u>\$ 2,289,160</u>	<u>\$ 3,553,265</u>	<u>\$ (4,186,643)</u>	<u>\$ 228,676,410</u>

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
July 31, 2024

	The Southern Baptist Theological Seminary	Village Manor, Inc.	Seminary Properties, LLC	Grinstead Housing South, LLC	Eliminations	Total
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	\$ 4,483,720	\$ -	\$ -	\$ 32,909	\$ 2,469	\$ 4,519,098
Deferred revenue, deposits and other liabilities	1,944,998	-	-	87,909	-	2,032,907
Annuity obligations	675,463	-	-	-	-	675,463
Lease obligation – operating leases	201,278	-	-	-	-	201,278
Notes payable	11,805,050	-	-	1,631,656	-	13,436,706
Accrued postretirement benefit cost	<u>3,894,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,894,664</u>
Total liabilities	23,005,173	-	-	1,752,474	2,469	24,760,116
Net assets						
Without donor restrictions						
Invested in land, buildings and equipment, net of related debt	46,329,559	-	-	702,710	-	47,032,269
Operating reserve	2,500,000	-	-	-	-	2,500,000
Board designated for endowment	9,430,816	-	-	-	-	9,430,816
Undesignated	<u>39,647,050</u>	<u>99,161</u>	<u>2,289,160</u>	<u>1,098,081</u>	<u>(4,189,112)</u>	<u>38,944,340</u>
	97,907,425	99,161	2,289,160	1,800,791	(4,189,112)	97,907,425
With donor restrictions						
Time restricted for future periods	4,744,463	-	-	-	-	4,744,463
Purpose Restricted	40,071,746	-	-	-	-	40,071,746
Restricted in perpetuity	<u>61,192,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,192,660</u>
	<u>106,008,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,008,869</u>
Total net assets	<u>203,916,294</u>	<u>99,161</u>	<u>2,289,160</u>	<u>1,800,791</u>	<u>(4,189,112)</u>	<u>203,916,294</u>
Total liabilities and net assets	<u>\$ 226,921,467</u>	<u>\$ 99,161</u>	<u>\$ 2,289,160</u>	<u>\$ 3,553,265</u>	<u>\$ (4,186,643)</u>	<u>\$ 288,676,410</u>

See Independent Auditor's Report.

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended July 31, 2024

	The Southern Baptist Theological Seminary	Village Manor, Inc.	Seminary Properties, LLC	Grinstead Housing South, LLC	Eliminations	Total
Operating revenues						
Net tuition income	\$ 22,966,077	\$ -	\$ -	\$ -	\$ -	\$ 22,966,077
Gifts and bequests						
Southern Baptist Convention						
Cooperative Program	10,369,191	-	-	-	-	10,369,191
Other financial assets	4,306,914	-	-	-	-	4,306,914
Non-financial assets	3,337	-	-	-	-	3,337
Investment return distributed for operations	3,726,654	-	-	10,969	-	3,737,623
Other	576,550	-	-	-	-	576,550
Auxiliary enterprise						
Student housing	3,822,364	-	-	749,161	(27,540)	4,543,985
Other	3,438,745	-	-	-	-	3,438,745
Change in net assets of subsidiaries	<u>146,765</u>	<u>-</u>	<u>147,250</u>	<u>-</u>	<u>(294,015)</u>	<u>-</u>
Total revenues	<u>49,356,597</u>	<u>-</u>	<u>147,250</u>	<u>760,130</u>	<u>(321,555)</u>	<u>49,942,422</u>
Operating expenses						
Educational and general						
Instruction	14,287,151	-	-	-	-	14,287,151
Academic support	3,257,459	-	-	-	-	3,257,459
Institutional support	11,611,511	410	-	-	-	11,611,921
Student services	8,673,309	-	-	-	-	8,673,309
Auxiliary enterprises						
Student housing	6,221,270	-	75	548,735	(27,540)	6,742,540
Other	<u>4,907,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,907,949</u>
Total expenses	<u>48,958,649</u>	<u>410</u>	<u>75</u>	<u>548,745</u>	<u>(27,540)</u>	<u>49,480,329</u>

(Continued)

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended July 31, 2024

	The Southern Baptist Theological Seminary	Village Manor, Inc.	Seminary Properties, LLC	Grinstead Housing South, LLC	Eliminations	Total
Increase (decrease) in net assets from operating activities	<u>\$ 397,948</u>	<u>\$ (410)</u>	<u>\$ 147,175</u>	<u>\$ 211,395</u>	<u>\$ (294,015)</u>	<u>\$ 462,093</u>
Nonoperating						
Investment return undistributed	8,925,651	-	-	-	-	8,925,651
Change in value of split-interest agreements	279,628	-	-	-	-	279,628
Unrestricted estate gifts board-designated as funds functioning as endowment	322,084	-	-	-	-	322,084
Gifts restricted by donors for capital purposes	65,000	-	-	-	-	65,000
Change in postretirement benefits obligation other than net periodic cost	422,343	-	-	-	-	422,343
Change in value of interest rate swap agreements	(112,717)	-	-	(64,145)	-	(176,862)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets from nonoperating activities	<u>9,901,989</u>	<u>-</u>	<u>-</u>	<u>(64,145)</u>	<u>-</u>	<u>9,837,844</u>
Increase (decrease) in net assets	10,299,937	(410)	147,175	147,250	(294,015)	10,299,937
Net assets at beginning of year	<u>193,616,357</u>	<u>99,571</u>	<u>2,141,985</u>	<u>1,653,541</u>	<u>(3,895,097)</u>	<u>193,616,357</u>
Net assets at end of year	<u>\$ 203,916,294</u>	<u>\$ 99,161</u>	<u>\$ 2,289,160</u>	<u>\$ 1,800,791</u>	<u>\$ (4,189,112)</u>	<u>\$ 203,916,294</u>

See Independent Auditor's Report.

THE SOUTHERN BAPTIST THEOLOGICAL SEMINARY
REPORT OF EXECUTIVE COMMITTEE OF THE SOUTHERN BAPTIST CONVENTION –
DISTRIBUTION BY STATE OF COOPERATIVE PROGRAM RECEIPTS
Year ended July 31, 2024
(Unaudited)

Churches and Individuals	\$ 237,732
Alabama	1,038,181
Alaska	6,495
Arizona	77,307
Arkansas	496,061
California	101,586
Colorado	34,754
Dakota	5,074
Florida	767,817
Georgia	787,038
Hawaii Pacific	11,333
Illinois	106,560
Indiana	31,207
Iowa	41,922
Kansas-Nebraska	45,011
Kentucky	549,670
Louisiana	354,405
Maryland-Delaware	61,519
Michigan	24,735
Minnesota-Wisconsin	6,847
Mississippi	649,999
Missouri	254,646
Montana	8,605
Nevada	18,275
New England	6,752
New Mexico	54,383
New York	12,016
North Carolina	754,931
Northwest	23,721
Ohio	127,984
Oklahoma	566,645
Pennsylvania-South Jersey	20,573
Puerto Rico/U.S. Virgin Islands	944
South Carolina	557,004
Tennessee	876,556
Texas–BGCT	486,822
Texas-SBTC	817,709
Utah-Idaho	11,909
Virginia-BGAV	44,888
Virginia-SBCV	259,776
West Virginia	27,718
Wyoming	<u>2,081</u>
Total Cooperative Program	10,369,191
Total designations	<u>184,446</u>
 Total distributions	 <u>\$ 10,553,637</u>

See Independent Auditor's Report.