DENVER SEMINARY®

Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

CAPINCROUSE LLP

DENVER SEMINARY

Table of Contents

CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Denver Seminary
Littleton, Colorado

We have audited the accompanying financial statements of Denver Seminary, which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Board of Trustees
Denver Seminary
Littleton, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Seminary as of June 30, 2020 and 2019, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Centennial, Colorado
October 20, 2020

DENVER SEMINARY

Statements of Financial Position

	June 30, 2020	June 30, 2019
ASSETS:		
Cash and cash equivalents	$ 2,156,339	$ 915,515
Restricted cash	-	1,518,019
Accounts receivable–net	242,443	161,115
Prepaid expenses and other assets	399,653	416,951
Investments	15,047,440	15,429,070
Trust assets	512,155	834,953
Property and equipment–net	17,603,125	17,048,282
Total Assets	$ 35,961,155	$ 36,323,905
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	$ 356,897	$ 337,794
Deferred revenue	885,422	722,654
Line of credit	-	100,000
Capital lease obligations	66,991	158,796
Annuities payable	70,207	185,870
Trust liability	512,155	607,989
Note payable–net	1,472,089	1,530,631
	3,363,761	3,643,734
Net assets:		
Without donor restrictions	16,031,777	15,943,061
With donor restrictions:		
Restricted by purpose or time	7,983,263	7,952,213
Restricted in perpetuity	8,582,354	8,784,897
	16,565,617	16,737,110
	32,597,394	32,680,171
Total Liabilities and Net Assets	$ 35,961,155	$ 36,323,905

See notes to financial statements

DENVER SEMINARY

Statements of Activities

	Year Ended June 30, 2020	Year Ended June 30, 2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating Revenues and Other Additions:		
Tuition and fees	$ 7,826,506	$ 7,503,565
Less financial aid	(1,615,033)	(1,513,437)
Net tuition and fees	6,211,473	5,990,128
Contributions	849,027	1,045,404
Investment income, net of fees	277,837	709,628
Auxiliary services and other	1,335,147	1,787,377
Total Operating Revenue	8,673,484	9,532,537
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	3,394,866	4,445,879
Expiration of time restrictions	622,808	119,368
Purpose and time releases from donor endowments	472,885	473,280
Total Net Assets Released from Restrictions	4,490,559	5,038,527
Total Operating Revenues and Other Additions	13,164,043	14,571,064
Operating Expenses:		
Salaries and benefits	9,268,751	8,865,275
Depreciation and amortization	1,187,934	1,097,102
Technology	415,301	367,561
Office and supplies	412,623	471,251
Maintenance and repairs	387,305	384,909
Advertising, marketing and printing	325,401	236,404
Other	309,788	400,287
Travel and entertainment	277,419	392,353
Utilities and telephone	233,544	275,947
Professional services	147,242	188,195
Interest	93,455	34,627
Total Operating Expenses	13,058,763	12,713,911
Change in Net Assets from Operations	105,280	1,857,153
Non-Operating Changes in Net Assets Without Donor Restrictions:		
Change in value of interest rate swap	-	7,741
Change in value of annuities and trusts	(16,564)	(78,716)
Total Non-Operating Changes	(16,564)	(70,975)
Changes in Net Assets Without Donor Restrictions	88,716	1,786,178

(continued)

See notes to financial statements

DENVER SEMINARY

Statements of Activities

(continued)

	Year Ended June 30, 2020	2019
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	$ 4,916,976	$ 3,560,211
Investment income (loss), net of fees	(592,459)	383,998
Change in value of annuities and trusts	(5,451)	(4,930)
	4,319,066	3,939,279
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	(3,394,866)	(4,445,879)
Expiration of time restrictions	(622,808)	(119,368)
Purpose and time releases from donor endowments	(472,885)	(473,280)
Total Net Assets Released from Restrictions	(4,490,559)	(5,038,527)
Changes in Net Assets with Donor Restrictions	(171,493)	(1,099,248)
Changes in Net Assets	(82,777)	686,930
Net Assets, Beginning of Year	32,680,171	31,993,241
Net Assets, End of Year	$ 32,597,394	$ 32,680,171

See notes to financial statements

DENVER SEMINARY

Statements of Functional Expenses

For the Year Ended June 30, 2020

	Program Services				Supporting Activities			
	Academic & Student Programs	Public Services	Auxiliary Services	Program Total	Institutional Support	Fund-raising	Supporting Total	Total
Salaries and benefits	$ 6,728,417	$ 643,924	$ 237,488	$ 7,609,829	$ 974,689	$ 684,233	$ 1,658,922	$ 9,268,751
Depreciation and amortization	841,373	-	260,569	1,101,942	73,808	12,184	85,992	1,187,934
Technology	272,431	18,571	6,735	297,737	65,407	52,157	117,564	415,301
Office and supplies	279,515	30,488	32,074	342,077	35,554	34,992	70,546	412,623
Maintenance and repairs	196,758	3,418	169,347	369,523	10,846	6,936	17,782	387,305
Advertising, marketing, and printing	17,152	3,277	-	20,429	262,742	42,230	304,972	325,401
Other	78,965	135,677	500	215,142	84,629	10,017	94,646	309,788
Travel and entertainment	70,892	51,911	859	123,662	54,565	99,192	153,757	277,419
Utilities and telephone	118,500	2,713	96,390	217,603	11,362	4,579	15,941	233,544
Professional services	27,361	12,873	3,463	43,697	51,450	52,095	103,545	147,242
Interest	59,512	6,642	712	66,866	21,254	5,335	26,589	93,455
Total Expenses	$ 8,690,876	$ 909,494	$ 808,137	$ 10,408,507	$ 1,646,306	$ 1,003,950	$ 2,650,256	$ 13,058,763

See notes to the financial statements

DENVER SEMINARY

Statements of Functional Expenses

For the Year Ended June 30, 2019

	Program Services				Supporting Activities			
	Academic & Student Programs	Public Services	Auxiliary Services	Program Total	Institutional Support	Fund-raising	Supporting Total	Total
Salaries and benefits	$ 6,517,959	$ 590,093	$ 221,666	$ 7,329,718	$ 843,056	$ 692,501	$ 1,535,557	$ 8,865,275
Depreciation and amortization	582,271	60,539	267,448	910,258	143,917	42,927	186,844	1,097,102
Technology	254,963	16,053	5,295	276,311	49,167	42,083	91,250	367,561
Office and supplies	352,878	34,677	21,894	409,449	37,037	24,765	61,802	471,251
Maintenance and repairs	194,276	5,643	171,244	371,163	11,580	2,166	13,746	384,909
Advertising, marketing, and printing	17,093	1,367	-	18,460	195,329	22,615	217,944	236,404
Other	180,619	169,890	1,740	352,249	39,170	8,868	48,038	400,287
Travel and entertainment	95,887	43,402	395	139,684	76,222	176,447	252,669	392,353
Utilities and telephone	162,451	2,482	94,740	259,673	10,815	5,459	16,274	275,947
Professional services	35,502	8,580	4,978	49,060	53,303	85,832	139,135	188,195
Interest	24,355	2,421	275	27,051	5,845	1,731	7,576	34,627
Total Expenses	$ 8,418,254	$ 935,147	$ 789,675	$ 10,143,076	$ 1,465,441	$ 1,105,394	$ 2,570,835	$ 12,713,911

See notes to the financial statements

DENVER SEMINARY

Statements of Cash Flows

	Year Ended June 30, 2020	Year Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (82,777)	$ 686,930
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,187,934	1,097,102
Amortization of capitalized loan fees	3,634	-
Write-off of bond issuance costs	-	103,114
Bad debt	38,353	8,969
Net realized and unrealized losses on investments and trusts	965,774	133,265
Reinvested interest and dividends on investments and trusts	(447,780)	(784,621)
Change in value of annuities and trusts	22,015	83,646
Matured annuities and trusts	(128,427)	-
Change in value of interest rate swap	-	(7,741)
Recognition of payroll protection loan contribution	(1,659,913)	-
Change in operating assets and liabilities:		
Accounts receivable–net	(119,681)	(3,121)
Prepaid expenses and other assets	17,298	1,992
Accounts payable and other liabilities	19,103	(7,180)
Deferred revenue	162,768	7,209
Net Cash Provided (Used) by Operating Activities	(21,699)	1,319,564
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,917,564)	(2,304,106)
Proceeds from sale of investments	2,018,891	2,573,907
Purchases of property and equipment	(1,742,777)	(97,731)
Net Cash Provided (Used) by Investing Activities	(1,641,450)	172,070
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	(100,000)	950,000
Payments on line of credit	-	(1,500,000)
Payments on capital lease obligations	(91,805)	(140,611)
Payments on bonds payable	-	(3,094,139)
Payments on note payable	(62,176)	-
Proceeds from payroll protection loan	1,659,913	-
Proceeds from note payable	-	1,595,861
Capitalized loan fees incurred	-	(65,230)
Payments on annuities	(19,978)	(87,236)
Net Cash Provided (Used) by Financing Activities	1,385,954	(2,341,355)
Change in Cash, Cash Equivalents, and Restricted Cash	(277,195)	(849,721)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	2,433,534	3,283,255
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 2,156,339	$ 2,433,534

(continued)

See notes to financial statements

DENVER SEMINARY

Statements of Cash Flows

(continued)

	Year Ended June 30,			
	2020		2019	
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH CONSISTS OF:				
Cash and cash equivalents	$	2,156,339	$	915,515
Restricted cash		-		1,518,019
	$	2,156,339	$	2,433,534
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEM:				
Cash paid for interest	$	93,455	$	59,050
Recognition of payroll protection program loan contribution	$	1,659,913	$	-

See notes to financial statements

DENVER SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

1. NATURE OF ORGANIZATION:

Denver Seminary (the Seminary) offers the Doctor of Ministry, Master of Divinity (M.Div.) and Master of Arts (M.A.) degrees from its campuses in Littleton, Colorado, Amarillo, Texas, and Landover, Maryland, in a variety of formats. Emphases are offered in biblical studies, philosophy of religion, counseling, educational ministries and administration, world Christianity, and youth and family ministries.

The Doctor of Ministry degree is an applicational degree. Students learn how to apply knowledge effectively in their ministry. Men and women in ministry improve their skills and enlarge their vision in order to be effective in ministry at the doctoral level. Research is carried through to action.

The M.Div. degree is designed primarily to prepare persons for church ministries requiring ordination. It also prepares students for doctoral-level studies in many theological schools. As the standard ministerial degree program, its depth and scope equip students for varied church and mission vocations. The M.Div. degree program consists of core courses (with some flexibility built into that core), and the balance of hours are either open electives or a combination of an optional concentration and open electives for a total of 78 semester hours.

The M.A. program is intended primarily for students who plan to engage in Christian service requiring training different from the Master of Divinity degree. By studying intensively in an area of specialization, the student will be equipped to serve in a specific capacity needed in the Christian community. All M.A. degrees include a basic 27-hour core curriculum giving students a solid biblical and theological foundation for their specialization. A dozen specialized majors and concentrations are offered in the M.A. program to enable students to achieve their career goals. M.A. programs range from 50 hours to 60 hours in length.

The Seminary also offers a number of master's level certificate programs ranging in length from 10 to 24 hours.

The Seminary is accredited by the Association of Theological Schools and the Higher Learning Commission of the North Central Association of Colleges and Schools. Its M.A. counseling (licensure) program is further accredited by the Council for Accreditation of Counseling and Related Educational Programs. The Seminary is also accredited to offer CPE training by the Association of Clinical Pastoral Education and has been approved by the same organization as a Clinical Pastoral Education (CPE) training center. The center offers CPE Level 1, Level II, and supervisory education CPE units for matriculated Seminary students.

The Seminary is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law(s). However, the Seminary is subject to federal income tax on any unrelated business taxable income. In addition, the Seminary is not classified as a private foundation within the meaning of Section 509(a) of the IRC. The primary source of support and revenue for the Seminary is tuition and fees and contributions.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader. The Seminary uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

CASH AND CASH EQUIVALENTS

Cash consists of petty cash and checking accounts. As of June 30, 2020 and 2019, cash (including restricted cash) exceeded federally insured limits by approximately $1,831,000 and $1,761,000, respectively. The Seminary has not experienced any material losses in such accounts.

RESTRICTED CASH

Restricted cash consists of cash to be used solely for capital projects.

INVESTMENTS AND TRUST ASSETS

Investments and trust assets held in mutual funds, exchange trade funds, and alternative investments and are stated at fair value. Unrealized and realized gains and losses are included in the statements of activities in investment income.

ACCOUNTS RECEIVABLE

Accounts receivable primarily consists of amounts due from students for tuition. Receivables are recorded net of an allowance for doubtful accounts of $20,000, as of June 30, 2020 and 2019, which is based on the aging of the accounts receivable at year-end. The allowance for uncollectible amounts are continually reviewed by management and adjusted to maintain the allowance at a level considered adequate to cover future losses. Accounts over $400 are forwarded to collections within 90 days of the account being deemed uncollectible. These amounts are written off as bad debt at the time they are forwarded to collections.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost if acquired or at fair market at the date of gift, if donated. The Seminary capitalizes fixed assets greater than $1,000. Depreciation and amortization is computed on a straight-line basis over the following estimated useful lives of the assets:

Buildings and improvements	10 to 40 years
Land improvements	10 to 20 years
Equipment and furnishings	3 to 10 years
Library books	10 years

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ANNUITY PAYABLE

Annuity contracts are recorded as liabilities at the present value of the aggregate payments due to annuitants, based upon acceptable life expectancy tables. Remainder interests to the Seminary are reported in net assets based on purpose and intent of the donor.

REVOCABLE TRUSTS

As trustee, the Seminary administers revocable (grantor) trusts that provide for a beneficial interest to the Seminary at the grantor's death. Because the trusts are revocable at the discretion of the grantor, the principal amounts provided are recorded as liabilities. The remaining trust assets will be recorded in the statements of activities as contributions when the agreements become irrevocable or when the assets are distributed to the Seminary for its unconditional use.

IRREVOCABLE TRUSTS

As trustee, the Seminary administers irrevocable trusts, charitable remainder unitrusts, and charitable remainder annuity trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. A liability is recorded for the present value of estimated future payments due to beneficiaries using a discount rate stated in the agreement. The recorded amount of trust assets and liabilities changes each year as the result of changes in the market value of the trust assets, earnings, payments to beneficiaries, and changes in actuarial assumptions. The net effect of those changes are recorded as a change in value of annuities and trusts in the statements of activities. Upon the death of the lifetime beneficiaries, any remaining amounts in the asset or liability accounts will be recognized as a change in value in the statements of activities.

NET ASSETS

The financial statements report amounts separately by class of net assets.

Net assets without donor restrictions are those resources currently available at the direction of the board for use in the Seminary’s operations and board designated quasi-endowments.

Net assets with donor restrictions are those resources which are stipulated by donors for specific purposes and resources provided through irrevocable trusts subject to the expiration of the time restrictions on beneficial interests to other parties and those resources contributed with donor restrictions requiring they be held in perpetuity. Net assets with donor restriction which are restricted by time and purpose also include cumulative earnings on endowments restricted in perpetuity that have not been appropriated for expenditure. As well as term endowments that will be distributed over a 15 to 20 year period.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND SUPPORT

Tuition and fees revenue is recognized when earned, which is when classes occur. Tuition payments made in advance are deferred as a liability and are included in deferred revenue on the statements of financial position. Revenue is recognized as the performance obligations are satisfied. The performance obligations for tuition and fees are generally satisfied over time during the academic terms. The Seminary measures the performing obligation from the start to the end of the class term. Performance obligations satisfied at a point in time generally relate to unrefundable fees provided at the beginning of the term. The services are recognized when the fees are received or due to the Seminary.

Contributions are recorded when made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Seminary. Gifts of cash and other assets are recognized as unrestricted contributions unless they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

During the year ended June 30, 2020, the Seminary received a Paycheck Protection Program loan of $1,659,913. The loan is eligible for forgiveness based on the Seminary incurring various qualifying expenses such as normal payroll costs and utilities. Since the Seminary has overcome the required barriers related to these funds as of June 30, 2020, the full loan has been recorded as contributions with donor restrictions on the statements of activities. The Seminary intends to seek forgiveness per the terms of the program.

The Seminary reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Seminary reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Auxiliary services and other income consist primarily of housing fees. These amounts are recorded when earned.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of functional expenses presents expenses by functional classification in accordance with the overall mission of the Seminary. Expenses are captured throughout the fiscal year in cost centers. Each cost center relates to a specific department or function of the Seminary. The direct expenses posted to these departments are allocated directly to the functional categories which they support. Allocations of certain overhead and depreciation costs are also allocated to program services and supporting activities proportionally based on the percentage of full-time employees and percentage of total space occupied by each service. The Seminary had not identified joint costs for the years ended June 30, 2020 and 2019.

OPERATING AND NON-OPERATING ACTIVITIES

The activity of the Seminary has been reported in the statements of activities in the following two categories: operating and non-operating. Operating includes the core educational activities of the organization. Non-operating includes all other activities that are not considered to be "core educational," such as change in interest rate swap and change in value of annuities and trusts.

ADVERTISING COSTS

Advertising costs for the years ended June 30, 2020 and 2019 of $207,258 and $149,416, respectively, are expensed as incurred and included in the statements of activities.

ADOPTION OF RECENTLY ISSUED PRONOUNCEMENTS

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606 of the FASB Accounting Standards Codification) (ASC). The Seminary adopted the provisions of this new standard during the year ended June 30, 2020. The new standard applies to exchange transactions with customers (students) that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total for the years ending June 30, 2020 and 2019.

ASU No. 2018-08 updated the Not-for-Profit Entities topic of the FASB ASC. This ASU clarifies the scope and accounting guidance for contributions received. The Seminary adopted the provisions of this new standard during the year ended June 30, 2020, and has implemented the guidance on a modified retrospective approach, meaning, changes are only applied to the portion of revenue that has not yet been recognized before the adoption of this ASU and there is no impact to beginning net assets as of June 30, 2020 and 2019.

3. LIQUIDITY AND AVAILABLITY OF FINANCIAL ASSETS:

The following table reflects the Seminary's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year; held in trust; held in perpetual endowments and the accumulated earnings thereof, net of appropriations within one year; subject to donor purpose or time restrictions, net of spending pursuant to the restrictions within one year; or because funds are set aside by the governing board.

	June 30, 2020	June 30, 2019
Financial assets:		
Cash and cash equivalents	$ 2,156,339	$ 915,515
Restricted cash	-	1,518,019
Accounts receivable–net	242,443	161,115
Investments	15,047,440	15,429,070
Trust assets	512,155	834,953
Financial assets, year-end	17,958,377	18,858,672
Less those unavailable for general expenditure within one year, due to:		
Cash held in escrow for capital project	-	(1,518,019)
Investments held in trust	(512,155)	(834,953)
Perpetual or term endowments and accumulated earnings subject to appropriation beyond one year	(11,043,841)	(12,392,100)
Funds restricted by donor for specific purposes and/or with time restrictions beyond one year	(2,279,926)	(2,136,695)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,122,455	$ 1,976,905

The Seminary has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the Seminary's liquidity management, it invests cash in excess of daily requirements in appropriate short-term interest bearing accounts. The Seminary also has an unsecured line of credit, which may be drawn upon in the event of an anticipated liquidity need.

DENVER SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

4. INVESTMENTS:

Investments consist of:

	June 30, 2020	June 30, 2019
Money market funds	$ 369,486	$ 139,479
Mutual funds and exchange trade funds	10,904,413	11,349,044
Alternatives	3,773,541	3,940,547
	$ 15,047,440	$ 15,429,070

Investment income (loss), related to investments, was ($574,270) and $589,697, for the years ended June 30, 2020 and 2019, respectively.

5. TRUST ASSETS AND LIABILITIES:

Trust assets consist of:

	June 30, 2020	June 30, 2019
Money market funds	$ 6,047	$ 3,158
Mutual funds and exchange trade funds	506,108	831,795
	$ 512,155	$ 834,953

Trust liabilities consist of:

	June 30, 2020	June 30, 2019
Revocable	$ 512,155	$ 588,665
Irrevocable	-	19,324
	$ 512,155	$ 607,989

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	June 30, 2020	June 30, 2019
Land and land improvements	$ 3,284,366	$ 3,284,366
Building and improvements	24,889,575	23,592,022
Equipment and furnishings	4,030,102	3,802,329
Library books	3,510,882	3,499,894
Art collection	185,952	185,952
	35,900,877	34,364,563
Less accumulated depreciation and amortization	(18,331,700)	(17,316,281)
	17,569,177	17,048,282
Projects in progress	33,948	-
	$ 17,603,125	$ 17,048,282

7. DEFERRED REVENUE:

Deferred revenue consists of:

	June 30, 2020	June 30, 2019
Deferred revenue, beginning of the year	$ 722,654	$ 715,445
Revenue recognized included in beginning balance	(722,654)	(715,445)
Cash received in advance of performance	885,422	722,654
Deferred revenue, end of the year	$ 885,422	$ 722,654

8. LINE OF CREDIT:

The Seminary has entered into a line of credit agreement with a financial institution, and it is available to the Seminary for a maximum amount of $1,250,000. The stated interest rate is Wall Street Journal Prime rate, which was 3.25%, as of June 30, 2020. The agreement matures in December 2020. As of June 30, 2020 and 2019, $0 and $100,000 was drawn on this line of credit.

9. CAPITAL LEASE OBLIGATIONS:

The Seminary has acquired equipment under capital lease arrangements. The cost of this equipment was $1,042,010, as of June 30, 2020 and 2019. The related accumulated amortization was $870,710 and $803,220, as of June 30, 2020 and 2019, respectively. Amortization expense for the leased property and equipment is included in depreciation and amortization on the statements of activities. Future minimum lease payments are:

Year Ending June 30,	
2021	$ 41,674
2022	20,004
2023	10,002
	71,680
Less interest expense	(4,689)
	$ 66,991

10. NOTE PAYABLE–NET:

During the year ended June 30, 2019, the Seminary entered into an agreement with Petros PACE Finance, LLC to finance certain capital assets qualifying for the Colorado C-Pace (C-PACE) program in Arapahoe County (codified at C.R.S. 32-20- 101 et seq. - collectively, the C-PACE Statute). C-PACE programs enable owners of commercial or nonprofit buildings to use private-sector money to finance qualifying energy efficiency improvements that will improve energy or water use. The Colorado C-PACE program is spearheaded by the Colorado Energy Office and overseen by the New Energy Improvement District, also known as NEID or the District.

C-PACE project financing is secured by a voluntary special purpose property tax assessment and corresponding lien on the subject property. This lien is senior to all commercial liens, even if filed earlier in time, including mortgages and deeds of trust. It is equal (pari passu) in priority to other special assessments on the property and junior to general tax liens. If a payment is in default, the remedies available to capital providers are the same as are available to holders of other special assessments, including penalty interest and, in extreme cases, foreclosure and sale of the property at a tax lien sale.

Unlike traditional financing, repayment of C-PACE assessment financing is made via payments on the property tax bill. Each county that participates in C-PACE has agreed to collect the C-PACE assessments from participating property owners via the property tax collection system and to remit those funds to the District (or its designated fiduciary) for distribution to capital providers. The District or its designated fiduciary will remit funds to the respective investor within ten business days of receiving them from the county.

10. NOTE PAYABLE–NET, continued:

If the property is sold prior to the end of the agreed-upon special assessment period, the new owner will assume the C-PACE assessment obligation, unless otherwise negotiated. Ownership of any authorized improvements on the subject property will transfer to the new owner at the close of the real estate sale. Authorized improvements financed through the program may not be removed from the property until the C-PACE assessment has been fully repaid. In connection with any sale, program participants agree to make all legally required disclosures about the existence of the special C-PACE assessment lien on the property.

Depending on the date that a project financing closes, it may not be possible to place the special assessment on the property tax bill until the following tax roll cycle. When such delay occurs, the interest payments that the property owner would have paid in the first tax year are capitalized in the principal amount. Capitalized interest in the amount of $11,443 was included in the total amount financed reflected below.

The total amount financed was $1,595,861. Principal and interest payments of $73,109 are due biannually with a fixed interest rate of 5.95%. The financing matures June 2037. As of June 30, 2019, $1,595,861 was held in an escrow account and included in restricted cash on the statements of financial position until the funds are needed to finance the project, which were fully used during the year ended June 30, 2020.

Future minimum principal payments are:

Year Ending June 30,	
2021	$ 53,961
2022	57,190
2023	60,682
2024	64,156
2025	68,301
Thereafter	1,229,395
	$ 1,533,685

Capitalized loan fees of $65,230 are recorded and are amortized over the term of the note payable agreement using the straight-line method, which approximates the effective-interest method. As of June 30, 2020 and 2019, accumulated amortization related to the capitalized loan fees were $3,634 and $0, respectively. Capitalized loan fees are netted against note payable on the statements of financial position.

10. NOTE PAYABLE–NET, continued:

Note payable–net consist of:

	June 30, 2020	June 30, 2019
Note payable	$ 1,533,685	$ 1,595,861
Less capitalized loan fees	(61,596)	(65,230)
	$ 1,472,089	$ 1,530,631

11. NET ASSETS WITH DONOR RESTRICTIONS–RESTRICTED BY PURPOSE OR TIME:

Net assets with donor restrictions, which are restricted by purpose or time, consist of:

	June 30, 2020	June 30, 2019
Projects	$ 4,526,578	$ 3,342,720
Term endowments	1,992,724	2,032,469
Endowment funds	1,463,961	2,347,902
Irrevocable charitable trusts	-	229,122
	$ 7,983,263	$ 7,952,213

12. ENDOWMENT FUNDS:

The Seminary's endowments consist of various individual funds established for a variety of purposes. Endowment funds include board-designated, term endowments, and donor-restricted endowment funds for scholarships, lectureships, academic chairs, and other purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including board-designated, are classified and reported based on the existence or absence of donor-imposed restrictions.

12. ENDOWMENT FUNDS, continued:

The management of the Seminary has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (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 restricted in perpetuity (a) the original value of the 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 restricted in perpetuity is classified as net assets with donor restrictions restricted by time and purpose 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 endowment fund;
2. The purposes of the institution and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the institution; and
7. The investment policy of the institution.

Return objectives and risk parameters: The Seminary has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowments' assets. Endowment assets include those assets of donor-restricted funds that the Seminary must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board, the endowment assets are invested to provide safety through diversification in a portfolio of money market funds, securities, and bonds, which may reflect varying risks and rates of return. The Seminary expects its endowment funds, over time, to provide an average rate of return matching the Consumer Price Index plus 3.25%, after all management, trustee, and custodian fees. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Seminary relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Seminary targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to assist in achieving its long-term return objectives within prudent risk constraints.

12. ENDOWMENT FUNDS, continued:

Spending policies and how the investment objectives relate to spending policy: The Seminary has a policy of appropriating for distribution each year no more than 5% of the trailing three-year average of each fund's total asset value. The approved spending policy was 4.5% for the years ended June 30, 2020 and 2019. In establishing this policy, the Seminary considered the long-term expected return on its endowments. Accordingly, over the long-term, the Seminary expects the current spending policy to allow its endowments to grow at an average of 3% annually. This is consistent with the Seminary's objective to maintain the purchasing power of the endowments' assets held in perpetuity, or for a specified term, as well as provide additional real growth through new gifts and investment return.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Seminary to retain as a fund of perpetual duration. In accordance with GAAP, there were 11 funds with deficiencies which totaled $88,337, as of June 30, 2020. There were no deficiencies of this nature as of June 30, 2019.

Endowment net asset composition by type of fund as of June 30, 2020:

	With Donor Restrictions:			
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	Total
Donor restricted for:				
Scholarships	$ 1,772,923	$ 681,845	$ 4,614,198	$ 7,068,966
Academic Chairs	-	694,844	1,859,211	2,554,055
Lectureships	-	132,220	308,028	440,248
Other	219,801	(44,948)	1,800,917	1,975,770
	$ 1,992,724	$ 1,463,961	$ 8,582,354	$ 12,039,039

12. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2020:

	With Donor Restrictions:			
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	Total
Endowment net assets, July 1, 2019	$ 2,032,469	$ 2,347,902	$ 8,784,897	$13,165,268
Investment return:				
Interest and dividends	126,112	267,836	-	393,948
Realized losses	(350,075)	(743,488)	-	(1,093,563)
Net appreciation	42,560	64,596	-	107,156
Total investment return	(181,403)	(411,056)	-	(592,459)
Contributions	35,345	-	231,925	267,270
Transfer of restriction	500,000	-	(434,468)	65,532
Appropriation of endowment assets for expenditure	(393,687)	(472,885)	-	(866,572)
Endowment net assets, June 30, 2020	$ 1,992,724	$ 1,463,961	$ 8,582,354	$12,039,039

Endowment net asset composition by type of fund as of June 30, 2019:

	With Donor Restrictions:			
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	Total
Donor restricted for:				
Scholarships	$ 1,535,947	$ 1,138,579	$ 4,820,579	$ 7,495,105
Academic Chairs	-	922,749	1,858,692	2,781,441
Lectureships	-	151,655	308,028	459,683
Other	496,522	134,919	1,797,598	2,429,039
	$ 2,032,469	$ 2,347,902	$ 8,784,897	$13,165,268

DENVER SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

12. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2019:

		With Donor Restrictions:			
	Without Donor Restrictions	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	Total
Endowment net assets, July 1, 2018	$ 2,433,719	$ 3,467,068	$ 2,557,924	$ 7,641,146	$16,099,857
Investment return:					
Interest and dividends	22,279	191,734	461,186	-	675,199
Realized losses	8,765	(16,148)	(38,841)	-	(46,224)
Net depreciation	117,569	(62,822)	(159,087)	-	(104,340)
Total investment return	148,613	112,764	263,258	-	524,635
Contributions	-	27,005	-	1,143,751	1,170,756
Appropriation of endowment assets for expenditure	(2,582,332)	(1,574,368)	(473,280)	-	(4,629,980)
Endowment net assets, June 30, 2019	$ -	$ 2,032,469	$ 2,347,902	$ 8,784,897	$13,165,268

13. FAIR VALUE MEASUREMENTS:

The Seminary uses appropriate valuation techniques to determine fair value based on inputs available. When possible, the Seminary measures fair value using Level 1 inputs on the hierarchy presented in the Fair Value Measurements Topic of the FASB Accounting Standards Codification (ASC) because they generally provide the most reliable evidence of fair value. Assets and liabilities measured on a recurring basis and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. For the Seminary, level 1 investments consist of mutual funds and exchange trade funds.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for the investments and include situations where there is little, if any, market activity for the investment.

DENVER SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

13. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities on a recurring basis as of June 30, 2020 and 2019:

		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
June 30, 2020:				
Assets:				
Investments and trust assets:				
Mutual funds and exchange trade funds:				
Equity:				
Large-cap	$ 3,001,462	$ 3,001,462	$ -	$ -
Preferred stock	1,294,282	1,294,282		
Mid-cap	1,267,331	1,267,331	-	-
Emerging markets	937,766	937,766	-	-
Master limited partnerships	720,766	720,766	-	-
International value	674,564	674,564	-	-
Small-cap	662,189	662,189	-	-
Fixed income:				
Domestic fixed income	879,708	879,708	-	-
Floating rate corporate loans	133,279	133,279	-	-
Real estate	1,839,174	1,839,174	-	-
	11,410,521	$ 11,410,521	$ -	$ -
Reconciling items held at net asset value:				
Multi-strategy stock funds	1,614,768			
Low-correlated hedge funds	1,599,737			
Multi-strategy bond funds	559,036			
Reconciling items held at cost:				
Money market funds	375,533			
Total Investments and Trust Assets	$ 15,559,595			

13. FAIR VALUE MEASUREMENTS, continued:

	Fair Value	Fair Value Measurements Using: Level 1	Level 2	Level 3
June 30, 2019:				
Assets:				
Investments and trust assets:				
Mutual funds and exchange trade funds:				
Equity:				
Large-cap	$ 3,375,058	$ 3,375,058	$ -	$ -
International	2,817,814	2,817,814	-	-
Master limited partnerships	988,081	988,081	-	-
Mid-cap	983,008	983,008	-	-
Emerging markets	978,357	978,357	-	-
Small-cap	417,623	417,623	-	-
Fixed income:				
Domestic fixed income	1,417,576	1,417,576	-	-
Floating rate corporate loans	979,616	979,616	-	-
Multialternative	223,706	223,706	-	-
	12,180,839	$ 11,957,133	$ -	$ -
Reconciling items held at net asset value:				
Multi-strategy stock funds	1,564,085			
Low-correlated hedge funds	1,816,699			
Multi-strategy bond funds	559,763			
Reconciling items held at cost:				
Money market funds	142,637			
Total Investments and Trust Assets	$ 16,264,023			

Changes in valuation techniques: None.

13. FAIR VALUE MEASUREMENTS, continued:

The Seminary uses the net asset value (NAV) to determine the value for all investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. Investments in certain entities that calculate NAV per share are as follows:

Fund Description	June 30, 2020 NAV	June 30, 2019 NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common fund:					
Multi-strategy Equity Fund	$ 1,614,768	$ 1,564,085	None	Monthly	5 days
Multi-strategy Bond Fund	559,036	559,763	None	Monthly	5 days
Lighthouse Global:					
Low Correlated Hedge Fund	788,027	987,245	None	Monthly or Quarterly	60 to 90 days
Ironwood:					
Low Correlated Hedge Fund	811,710	829,454	None	Semi-Annually	95 days
	$ 3,773,541	$ 3,940,547			

These funds employ a strategy to achieve capital appreciation by investing in a range of trading strategies, including equity and debt funds, in order to diversify risk and reduce volatility.

14. LAND LEASE INCOME:

In May 2009, the Seminary entered into a land lease agreement with a third party that allows the third party to have drilling rights on the land. Drilling has been completed and the Seminary is paid one-sixth of the net proceeds received by the Seminary's third party from the sale of such substances extracted from the land. The Seminary received proceeds under the agreement of $286,352 and $551,412, for the years ended June 30, 2020 and 2019, respectively, which is reported within investment income, net of fees on the statements of activities. Income from this agreement is expected to continue, however, an asset has not been recorded as future amounts are not able to be calculated.

15. RETIREMENT PLAN:

The Seminary has established a defined contribution plan (the Plan), which operates under Section 403(b) of the Internal Revenue Code. All non-student Seminary employees working over 1,000 hours per year are eligible to participate in the Plan. The Seminary matches all full-time employee contributions up to 5% of compensation. All contributions to the Plan are fully vested. Employer contributions were $300,470 and $290,906, for the years ended June 30, 2020 and 2019, respectively.

16. RELATED PARTY TRANSACTION:

A member of the board of trustees is a small minority owner of the investment advisory firm who manages the Seminary's endowment funds. During the years ended June 30, 2020 and 2019, the Seminary paid investment fees of $33,112 and $32,549, respectively, to this firm.

During the years ended June 30, 2020 and 2019, board of trustees members made contributions totaling approximately $883,717 and $564,000, respectively.

17. RISKS AND UNCERTAINTIES:

During the year ended June 30, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Seminary for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

18. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 20, 2020, which is the date the financial statements were available to be issued.