



## DENVER SEMINARY

Financial Statements  
With Independent Auditors' Report

June 30, 2021 and 2020

# DENVER SEMINARY

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## 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, 2021 and 2020, 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.

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, 2021 and 2020, 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 28, 2021

# DENVER SEMINARY

## Statements of Financial Position

	June 30,	
	2021	2020
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,736,492	\$ 2,156,339
Accounts receivable–net	238,915	242,443
Estate receivable	1,153,528	-
Prepaid expenses and other assets	433,271	399,653
Investments	18,969,117	15,047,440
Beneficial interest in trust	2,932,799	-
Trust assets	616,091	512,155
Property and equipment–net	16,845,034	17,603,125
Total Assets	\$ 43,925,247	\$ 35,961,155
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 380,599	\$ 356,897
Deferred revenue	994,782	885,422
Capital lease obligations	111,633	66,991
Annuity and trust liabilities	683,344	582,362
Note payable–net	1,421,821	1,472,089
	3,592,179	3,363,761
Net assets:		
Without donor restrictions	15,862,342	16,031,777
With donor restrictions:		
Restricted by purpose or time	14,961,055	7,983,263
Restricted in perpetuity	9,509,671	8,582,354
	24,470,726	16,565,617
Total Net Assets	40,333,068	32,597,394
Total Liabilities and Net Assets	\$ 43,925,247	\$ 35,961,155

See notes to financial statements

# DENVER SEMINARY

## Statements of Activities

	Year Ended June 30,	
	2021	2020
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
Operating Revenues and Other Additions:		
Tuition and fees, net of financial aid	\$ 6,724,761	\$ 6,211,473
Contributions	993,214	849,027
Investment income, net of fees	968,910	277,837
Auxiliary services and other	1,467,177	1,335,147
Total Operating Revenue	10,154,062	8,673,484
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	2,477,415	3,394,866
Expiration of time restrictions	443,818	622,808
Purpose and time releases from donor endowments	502,655	472,885
Total Net Assets Released from Restrictions	3,423,888	4,490,559
Total Operating Revenues and Other Additions	13,577,950	13,164,043
Operating Expenses:		
Salaries and benefits	9,933,472	9,268,751
Depreciation and amortization	1,207,550	1,187,934
Technology	516,641	415,301
Office and supplies	421,822	412,623
Advertising, marketing and printing	379,044	325,401
Maintenance and repairs	367,790	387,305
Utilities and telephone	267,254	233,544
Other	214,051	309,788
Professional services	204,347	147,242
Travel and entertainment	128,427	277,419
Interest	96,236	93,455
Total Operating Expenses	13,736,634	13,058,763
Change in Net Assets from Operations	(158,684)	105,280
Non-Operating Changes in Net Assets Without Donor Restrictions:		
Change in value of split-interest agreements	(10,751)	(16,564)
Changes in Net Assets Without Donor Restrictions	(169,435)	88,716

(continued)

See notes to financial statements

# DENVER SEMINARY

## Statements of Activities (continued)

	Year Ended June 30,	
	2021	2020
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	7,438,498	4,916,976
Investment income (loss), net of fees	3,890,499	(592,459)
Change in value of split-interest agreements	-	(5,451)
	<u>11,328,997</u>	<u>4,319,066</u>
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	(2,477,415)	(3,394,866)
Expiration of time restrictions	(443,818)	(622,808)
Purpose and time releases from donor endowments	(502,655)	(472,885)
Total Net Assets Released from Restrictions	<u>(3,423,888)</u>	<u>(4,490,559)</u>
Changes in Net Assets with Donor Restrictions	<u>7,905,109</u>	<u>(171,493)</u>
Changes in Net Assets	7,735,674	(82,777)
Net Assets, Beginning of Year	<u>32,597,394</u>	<u>32,680,171</u>
Net Assets, End of Year	<u>\$ 40,333,068</u>	<u>\$ 32,597,394</u>

See notes to financial statements

# DENVER SEMINARY

## Statements of Functional Expenses

For the Year Ended June 30, 2021

	Program Services				Supporting Activities			Total
	Academic & Student Programs	Public Services	Auxiliary Services	Program Total	Institutional Support	Fund-raising	Supporting Total	
Salaries and benefits	\$ 7,004,894	\$ 821,195	\$ 241,622	\$ 8,067,711	\$ 1,131,038	\$ 734,723	\$ 1,865,761	\$ 9,933,472
Depreciation and amortization	859,170	-	260,569	1,119,739	75,369	12,442	87,811	1,207,550
Technology	316,325	19,179	5,116	340,620	123,782	52,239	176,021	516,641
Office and supplies	289,053	24,339	33,616	347,008	33,330	41,484	74,814	421,822
Advertising, marketing, and printing	64,066	2,622	-	66,688	271,223	41,133	312,356	379,044
Maintenance and repairs	155,715	1,306	167,001	324,022	41,683	2,085	43,768	367,790
Utilities and telephone	147,770	2,365	98,970	249,105	12,825	5,324	18,149	267,254
Other	187,582	3,219	13	190,814	9,307	13,930	23,237	214,051
Professional services	83,266	17,037	13,579	113,882	75,463	15,002	90,465	204,347
Travel and entertainment	17,794	25,245	415	43,454	16,568	68,405	84,973	128,427
Interest	60,498	6,238	714	67,450	23,453	5,333	28,786	96,236
<b>Total Expenses</b>	<b>\$ 9,186,133</b>	<b>\$ 922,745</b>	<b>\$ 821,615</b>	<b>\$ 10,930,493</b>	<b>\$ 1,814,041</b>	<b>\$ 992,100</b>	<b>\$ 2,806,141</b>	<b>\$ 13,736,634</b>

See notes to the financial statements



# DENVER SEMINARY

## Statements of Functional Expenses

For the Year Ended June 30, 2020

	Program Services				Supporting Activities			Total
	Academic & Student Programs	Public Services	Auxiliary Services	Program Total	Institutional Support	Fund-raising	Supporting 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
Advertising, marketing, and printing	17,152	3,277	-	20,429	262,742	42,230	304,972	325,401
Maintenance and repairs	196,758	3,418	169,347	369,523	10,846	6,936	17,782	387,305
Utilities and telephone	118,500	2,713	96,390	217,603	11,362	4,579	15,941	233,544
Other	78,965	135,677	500	215,142	84,629	10,017	94,646	309,788
Professional services	27,361	12,873	3,463	43,697	51,450	52,095	103,545	147,242
Travel and entertainment	70,892	51,911	859	123,662	54,565	99,192	153,757	277,419
Interest	59,512	6,642	712	66,866	21,254	5,335	26,589	93,455
<b>Total Expenses</b>	<b>\$ 8,690,876</b>	<b>\$ 909,494</b>	<b>\$ 808,137</b>	<b>\$ 10,408,507</b>	<b>\$ 1,646,306</b>	<b>\$ 1,003,950</b>	<b>\$ 2,650,256</b>	<b>\$ 13,058,763</b>

See notes to the financial statements

# DENVER SEMINARY

## Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 7,735,674	\$ (82,777)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,207,550	1,187,934
Amortization of capitalized loan fees	3,633	3,634
Bad debt	32,205	38,353
Net realized and unrealized (gains) losses on investments and trusts	(4,267,207)	965,774
Reinvested interest and dividends on investments and trusts	(392,803)	(447,780)
Change in value of split-interest agreements	10,751	22,015
Recognition of charitable lead annuity trust	(2,932,799)	-
Matured annuities and trusts	-	(128,427)
Recognition of payroll protection loan contribution	-	(1,659,913)
Recognition of estate receivable	(1,153,528)	-
Change in operating assets and liabilities:		
Accounts receivable-net	(28,677)	(119,681)
Prepaid expenses and other assets	(33,618)	17,298
Accounts payable and other liabilities	23,702	19,103
Deferred revenue	109,360	162,768
Net Cash Provided (Used) by Operating Activities	314,243	(21,699)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(1,377,356)	(1,917,564)
Proceeds from sale of investments	2,116,145	2,018,891
Purchases of property and equipment	(369,876)	(1,742,777)
Net Cash Provided (Used) by Investing Activities	368,913	(1,641,450)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	-	(100,000)
Payments on capital lease obligations	(34,941)	(91,805)
Payments on note payable	(53,901)	(62,176)
Proceeds from payroll protection program loan	-	1,659,913
Payments of annuities	(14,161)	(19,978)
Net Cash Provided (Used) by Financing Activities	(103,003)	1,385,954
Change in Cash and Cash Equivalents	580,153	(277,195)
Cash and Cash Equivalents, Beginning of Year	2,156,339	2,433,534
Cash and Cash Equivalents, End of Year	\$ 2,736,492	\$ 2,156,339
<b>SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:</b>		
Cash paid for interest	\$ 91,636	\$ 93,455
Recognition of payroll protection program loan contribution	\$ -	\$ 1,659,913
Recognition of charitable lead annuity trust	\$ 2,932,799	\$ -
Acquisition of capital leases recorded in property and equipment	\$ 107,937	\$ -
Retirement of capital leases	\$ 28,354	\$ -

See notes to financial statements

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

1. NATURE OF ORGANIZATION:

Denver Seminary (the Seminary) offers Master of Divinity (MDiv), Master of Arts (MA), and Doctor of Ministry (DMin) degrees from its campuses in Littleton, Colorado and Landover, Maryland. The Seminary offers classes and degrees on campus and online in a variety of modalities.

The DMin 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 MDiv degree program provides foundational biblical and theological studies and practical skills to prepare you for faithful and effective ministry. The MDiv degree is designed primarily to prepare students 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 MDiv 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. Students may customize their experience in an area of concentration. MDiv concentrations include Apologetics and Ethics, Biblical Preaching, Biblical Studies, Chaplaincy, Christian Formation and Spiritual Direction, Leadership, New Testament, Old Testament, Pastoral Care and Counseling and Theology.

The Seminary's MA programs are intended primarily for students who plan to engage in Christian service requiring training different from the MDiv 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 MA 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 MA program to enable students to achieve their career goals. MA programs range from 50 hours to 60 hours in length. MA specializations include Apologetics and Ethics, Biblical and Theological Studies, Christian Formation, Christian Studies, Counseling Ministries, Cultural Engagement, Leadership, New Testament, Old Testament, and Theology.

The Seminary's Master of Arts in Counseling degree offers concentrations that prepare our alumni for work in multiple counseling fields. Each program infuses solid counseling foundations with sound biblical and theological teaching. We also offer dual degrees that allow for a deeper exploration of the Bible and the faith dimension of counseling. The Seminary's program includes 60 hours of counseling core courses and 4 hours of New Testament and Old Testament survey. The program allows for concentrations in clinical mental health, school counseling, or both. Our curriculum helps prepare students for success to pursue licensure in other states already requiring 60 credits of counseling courses, which means reducing or eliminating the need for supplemental coursework. The Council for Accreditation of Counseling and Related Educational Programs (CACREP) accredited degree concentrations include: Clinical Mental Health, Clinical Mental Health and School Counseling and School Counseling.

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

1. NATURE OF ORGANIZATION, continued:

The Master of Theology (ThM) degree is a theologically rich, historically rooted, and contemplatively engaged approach to apprenticeship to Jesus as the essence of life. Typically, this degree is an academic step towards getting a PhD. Students learn to think theologically about all of life and effectively grapple with theological issues and trends in the contemporary church.

The Seminary is adding a PhD in Counselor Education to its' curriculum in the 2021/22 academic year with an inaugural cohort beginning in August, 2021.

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 MA counseling (licensure) program is further accredited by CACREP. The Seminary is also accredited to offer Clinical Pastoral Education (CPE) training by the Association of Clinical Pastoral Education and has been approved by the same organization as a 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 and money market accounts. As of June 30, 2021 and 2020, cash and cash equivalents exceeded federally insured limits by approximately \$2,337,000 and \$1,831,000, respectively. The Seminary has not experienced any material losses in such accounts.

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

### 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, 2021 and 2020, 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.

### ESTATE RECEIVABLE

The Seminary records estate receivables in the year the estate clears probate and the amount to be received is estimable. The amount is recorded as contributions with donor restrictions as of June 30, 2021. The receivable was paid in full subsequent to the year ended June 30, 2021 so there is no allowance for uncollectible accounts as of June 30, 2021.

### INVESTMENTS AND TRUST ASSETS

Investments and trust assets are 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.

### BENEFICIAL INTEREST IN TRUST

During the year ended June 30, 2021, the Seminary became the beneficiary of a charitable lead annuity trust (CLAT) in which the funds are held outside of the Seminary. The Seminary has the irrevocable right to receive \$250,000 per year for twenty years. The fair value is recognized as an asset and as a contribution with donor restrictions at the date the trust was established. The Seminary's estimate of fair value is based on the net present value of funds to be received over 20 years using a discount rate of 6.5%.

### 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

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

### 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.

#### 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.

#### REVENUE AND SUPPORT

Tuition and fees revenue is recognized when earned, which is when classes occur. Scholarships and financial assistance are awarded to students, which reduce the amount of revenue recognized. Scholarships and financial assistance awarded was \$1,808,775 and \$1,615,033, for the years ended June 30, 2021 and 2020, respectively. 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 non-refundable fees provided at the beginning of the term. The services are recognized when the fees are received or due to the Seminary.

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND SUPPORT, continued

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.

The Seminary received government grants which consist of Title IV program funds, Coronavirus Aid, Relief, and Economic Security (CARES) Act, and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funding. For Title IV program funding, the Seminary receives limited authorization by the Department of Education (ED) and is awarded in full to eligible students. For the year ended June 30, 2021, under the Higher Education Emergency Relief Fund (HEERF) of the CARES Act and CRRSAA, the Seminary distributed approximately \$138,000 to eligible students and approximately \$487,000 was used to help the institution offset the financial impact from the COVID-19 pandemic. For the year ended June 30, 2020, under the HEERF CARES Act, the Seminary distributed approximately \$63,000 to eligible students. Government grants revenue are included in contributions, net assets with donor restrictions, on the statements of activities.

During the year ended June 30, 2020, the Seminary received a Payroll Protection Program loan of \$1,659,913. Since the Seminary has overcome the required barriers related to these funds, the full loan has been recorded as contributions with donor restrictions on the statements of activities as of June 30, 2020. The Seminary received full forgiveness for the loan during the year ended June 30, 2021.

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.

ADVERTISING COSTS

Advertising costs for the years ended June 30, 2021 and 2020 of \$271,094 and \$207,258, respectively, are expensed as incurred and included in the statements of activities.

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020.

### 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 value of split-interest agreements.



# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

3. LIQUIDITY AND AVAILABILITY 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,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 2,736,492	\$ 2,156,339
Accounts receivable—net	238,915	242,443
Estate receivable	1,153,528	-
Investments	18,969,117	15,047,440
Beneficial interest in trust	2,932,799	-
Trust assets	616,091	512,155
Financial assets, year-end	26,646,942	17,958,377
Less those unavailable for general expenditure within one year, due to:		
Trust assets note expected to be received within one year	(616,091)	(512,155)
Beneficial interest in trust not expected to be received within one year	(2,857,181)	-
Perpetual or term endowments and accumulated earnings subject to appropriation beyond one year	(14,533,085)	(11,043,841)
Funds restricted by donor for specific purposes and/or with time restrictions beyond one year	(2,411,197)	(2,279,926)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,229,388	\$ 4,122,455

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, 2021 and 2020

4. INVESTMENTS:

Investments consist of:

	June 30,	
	2021	2020
Money market funds	\$ 305,195	\$ 369,486
Mutual funds and exchange trade funds	14,521,589	10,904,413
Alternative investments	4,142,333	3,773,541
	<u>\$ 18,969,117</u>	<u>\$ 15,047,440</u>

Investment income (loss), related to investments, was \$4,603,015 and (\$574,270) for the years ended June 30, 2021 and 2020, respectively.

5. TRUST ASSETS:

Trust assets consist of:

	June 30,	
	2021	2020
Money market funds	\$ 9,437	\$ 6,047
Mutual funds and exchange trade funds	606,654	506,108
	<u>\$ 616,091</u>	<u>\$ 512,155</u>

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

6. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	June 30,	
	2021	2020
Land and land improvements	\$ 3,284,366	\$ 3,284,366
Building and improvements	24,917,393	24,889,575
Equipment and furnishings	3,978,479	4,030,102
Library books	3,520,301	3,510,882
Art collection	185,952	185,952
	<u>35,886,491</u>	<u>35,900,877</u>
Less accumulated depreciation and amortization	<u>(19,115,929)</u>	<u>(18,331,700)</u>
	<u>16,770,562</u>	<u>17,569,177</u>
Projects in progress	74,472	33,948
	<u>\$ 16,845,034</u>	<u>\$ 17,603,125</u>

7. DEFERRED REVENUE:

Deferred revenue consists of:

	June 30,	
	2021	2020
Deferred revenue for tuition and fees, beginning of the year	\$ 885,422	\$ 722,654
Revenue recognized included in beginning balance	(885,422)	(722,654)
Cash received in advance of class performance	<u>994,782</u>	<u>885,422</u>
	<u>\$ 994,782</u>	<u>\$ 885,422</u>

8. ANNUITY AND TRUST LIABILITIES:

Annuity and trust liabilities consist of:

	June 30,	
	2021	2020
Revocable trust	\$ 616,091	\$ 512,155
Annuities payable	<u>67,253</u>	<u>70,207</u>
	<u>\$ 683,344</u>	<u>\$ 582,362</u>

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

9. 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 3.5%, as of June 30, 2021. The agreement matures in March 2022. As of June 30, 2021 and 2020, there were no draws on this line of credit.

10. CAPITAL LEASE OBLIGATIONS:

The Seminary has acquired equipment under capital lease arrangements. The cost of this equipment was \$1,149,946 and \$1,042,010, as of June 30, 2021 and 2020, respectively. The related accumulated amortization was \$917,200 and \$870,710, as of June 30, 2021 and 2020, 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:

<u>Year Ending June 30,</u>	
2022	\$ 26,928
2023	26,928
2024	26,928
2025	26,928
2026	26,928
	<hr/>
	134,640
Less interest expense	<hr/>
	(23,007)
	<hr/>
	\$ 111,633
	<hr/>

11. 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.

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

11. NOTE PAYABLE—NET, continued:

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.

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. Future minimum principal payments are:

<u>Year Ending June 30,</u>	
2022	\$ 57,190
2023	60,682
2024	64,156
2025	68,301
2026	72,470
Thereafter	<u>1,156,985</u>
	<u>\$ 1,479,784</u>

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, 2021 and 2020, accumulated amortization related to the capitalized loan fees were \$7,267 and \$3,634, respectively. Capitalized loan fees are netted against note payable on the statements of financial position.

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

11. NOTE PAYABLE—NET, continued:

Note payable—net consist of:

	June 30,	
	2021	2020
Note payable	\$ 1,479,784	\$ 1,533,685
Less capitalized loan fees	(57,963)	(61,596)
	<u>\$ 1,421,821</u>	<u>\$ 1,472,089</u>

12. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purpose:

	June 30,	
	2021	2020
Subject to expenditure for specified purpose or passage of time:		
Projects	\$ 4,801,608	\$ 4,526,578
Endowment funds	3,638,879	1,463,961
Term endowments	2,844,833	1,992,724
Beneficial interest in trust	2,522,207	-
Time restricted-estate receivable	1,153,528	-
	<u>14,961,055</u>	<u>7,983,263</u>
Subject to restriction in perpetuity:		
Endowment funds	9,099,079	8,582,354
Beneficial interest in trust	410,592	-
	<u>9,509,671</u>	<u>8,582,354</u>
	<u>\$ 24,470,726</u>	<u>\$ 16,565,617</u>

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

### 13. 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.

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.

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

13. ENDOWMENT FUNDS, continued:

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.

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, 2021 and 2020. 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 no deficiencies of this nature as of June 30, 2021 and there were 11 funds with deficiencies which totaled \$88,337 as of June 30, 2020.

Endowment net asset composition by type of fund as of June 30, 2021:

	With Donor Restrictions:			Total
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	
Donor restricted for:				
Scholarships	\$ 2,195,617	\$ 1,888,007	\$ 5,129,598	\$ 9,213,222
Academic Chairs	-	1,120,846	1,860,237	2,981,083
Lectureships	-	219,162	308,028	527,190
Other	649,216	410,864	1,801,216	2,861,296
	\$ 2,844,833	\$ 3,638,879	\$ 9,099,079	\$ 15,582,791



# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

13. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2021:

	With Donor Restrictions:			Total
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	
Endowment net assets, July 1, 2020	\$ 1,992,724	\$ 1,463,961	\$ 8,582,354	\$12,039,039
Investment return:				
Interest and dividends	112,873	249,170	-	362,043
Realized gains	22,317	49,266	-	71,583
Net appreciation	1,077,736	2,379,137	-	3,456,873
Total investment return	1,212,926	2,677,573	-	3,890,499
Contributions	83,002	-	516,725	599,727
Transfer of restriction	(443,819)	-	-	(443,819)
Appropriation of endowment assets for expenditure	-	(502,655)	-	(502,655)
Endowment net assets, June 30, 2021	\$ 2,844,833	\$ 3,638,879	\$ 9,099,079	\$15,582,791

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

	With Donor Restrictions:			Total
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	
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

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

13. ENDOWMENT FUNDS, continued:

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

	With Donor Restrictions:			Total
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	
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

14. 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 Financial Accounting Standards Board (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

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.

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, 2021 and 2020

14. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities on a recurring basis as of June 30, 2021 and 2020:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
June 30, 2021:				
Assets:				
Investments, beneficial interest in trust, and trust assets:				
Mutual funds and exchange trade funds:				
Equity:				
Large-cap	\$ 3,923,235	\$ 3,923,235	\$ -	\$ -
Mid-cap	2,198,511	2,198,511	-	-
Preferred stock	1,496,642	1,496,642	-	-
Small-cap	1,427,254	1,427,254	-	-
Emerging markets	1,295,779	1,295,779	-	-
Master limited partnerships	1,188,014	1,188,014	-	-
International	899,025	899,025	-	-
Fixed income:				
Domestic fixed income	982,083	982,083	-	-
Floating rate corporate loans	142,805	142,805	-	-
Real estate	1,515,562	1,515,562	-	-
Other	59,333	59,333	-	-
Beneficial interest in trust	2,932,799	-	2,932,799	-
	18,061,042	\$ 15,128,243	\$ 2,932,799	\$ -
Reconciling items held at net asset value:				
Multi-strategy stock funds	2,140,730			
Low-correlated hedge funds	1,425,695			
Multi-strategy bond funds	575,908			
Reconciling items held at cost:				
Money market funds	314,632			
Total Investments, Beneficial Interest in Trust, and Trust Assets	\$ 22,518,007			

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

14. FAIR VALUE MEASUREMENTS, continued:

	Fair Value	Fair Value Measurements Using:		
		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	\$ -	\$ -
Mid-cap	1,267,331	1,267,331	-	-
Small-cap	662,189	662,189	-	-
Preferred stock	1,294,282	1,294,282	-	-
Emerging markets	937,766	937,766	-	-
Master limited partnerships	720,766	720,766	-	-
International value	674,564	674,564	-	-
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			

Changes in valuation techniques: None.

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

14. 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, 2021 NAV	June 30, 2020 NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common fund:					
Multi-strategy Equity Fund	\$ 2,140,730	\$ 1,614,768	None	Monthly	5 days
Multi-strategy Bond Fund	575,908	559,036	None	Monthly	5 days
Lighthouse Global:					
Low Correlated Hedge Fund	712,250	788,027	None	Monthly or Quarterly	60 to 90 days
Ironwood:					
Low Correlated Hedge Fund	713,445	811,710	None	Semi-Annually	95 days
	<u>\$ 4,142,333</u>	<u>\$ 3,773,541</u>			

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.

15. 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 is complete and the Seminary is paid one-sixth of the net proceeds received by the Seminary's third party from the sale of oil and gas extracted from the land. The Seminary received proceeds under the agreement of \$296,958 and \$286,352, for the years ended June 30, 2021 and 2020, 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.

16. 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 \$313,390 and \$300,470, for the years ended June 30, 2021 and 2020, respectively.

# DENVER SEMINARY

## Notes to Financial Statements

June 30, 2021 and 2020

17. 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, 2021 and 2020, the Seminary paid investment fees of \$33,519 and \$33,112, respectively, to this firm.

During the years ended June 30, 2021 and 2020, board of trustees members made contributions totaling approximately \$693,269 and \$883,717, respectively. During the year ended June 30, 2021, the Seminary received a CLAT which was established by a board member.

18. 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.

19. SUBSEQUENT EVENTS:

Subsequent to the year ended June 30, 2021, the Seminary listed their student apartment complexes on the market. As of the reporting date, there is no active contract on the property.

Subsequent events were evaluated through October 28, 2021, which is the date the financial statements were available to be issued.