DENVER SEMINARY

Financial Statements
With Independent Auditors' Report

June 30, 2022 and 2021

DENVER SEMINARY

Table of Contents

CAPINCROUSE LLP

Celebrating 50 YEARS OF EMPOWERING NONPROFITS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Denver Seminary
Littleton, Colorado

Opinion

We have audited the accompanying financial statements of Denver Seminary, which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Denver Seminary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Denver Seminary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

9155 East Nichols Avenue, Suite 305
Centennial, CO 80112
505.50.CAPIN
capincrouse.com

Board of Trustees
Denver Seminary
Littleton, Colorado

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Denver Seminary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Denver Seminary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Capin Crouse LLP

Centennial, Colorado
October 28, 2022

DENVER SEMINARY

Statements of Financial Position

	June 30, 2022	June 30, 2021
ASSETS:		
Cash and cash equivalents	$ 4,538,878	$ 2,736,492
Estate receivable	-	1,153,528
Accounts receivable–net	387,312	238,915
Prepaid expenses and other assets	466,101	433,271
Investments	43,211,906	18,969,117
Beneficial interest in trust	2,857,181	2,932,799
Trust assets	500,994	616,091
Property and equipment–net	12,754,074	16,845,034
Total Assets	$ 64,716,446	$ 43,925,247
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	$ 531,887	$ 380,599
Deferred revenue	880,126	994,782
Capital lease obligations	93,759	111,633
Annuity and trust liabilities	562,703	683,344
Note payable–net	614,569	1,421,821
Total liabilities:	2,683,044	3,592,179
Net assets:		
Without donor restrictions	37,905,220	15,862,342
With donor restrictions:		
Restricted by purpose or time	13,833,785	14,961,055
Restricted in perpetuity	10,294,397	9,509,671
	24,128,182	24,470,726
Total net assets:	62,033,402	40,333,068
Total Liabilities and Net Assets	$ 64,716,446	$ 43,925,247

See notes to financial statements

DENVER SEMINARY

Statements of Activities

	Year Ended June 30, 2022	Year Ended June 30, 2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating Revenues and Other Additions:		
Tuition and fees, net of financial aid	$ 6,599,053	$ 6,724,761
Contributions	1,307,754	993,214
Investment income (loss), net of fees	(269,269)	968,910
Auxiliary services and other	1,147,302	1,467,177
Gain on sale of property and equipment	23,066,998	-
Total Operating Revenue	31,851,838	10,154,062
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	4,050,705	2,477,415
Expiration of time restrictions	417,480	443,818
Purpose and time releases from donor endowments	479,610	502,655
Total Net Assets Released from Restrictions	4,947,795	3,423,888
Total Operating Revenues and Other Additions	36,799,633	13,577,950
Operating Expenses:		
Salaries and benefits	10,536,195	9,933,472
Depreciation and amortization	977,317	1,207,550
Maintenance and repairs	524,237	367,790
Technology	474,763	516,641
Office and supplies	457,295	421,822
Advertising, marketing and printing	456,861	379,044
Other	408,245	214,051
Travel and entertainment	313,850	128,427
Professional services	256,725	204,347
Utilities and telephone	231,698	267,254
Interest	109,197	96,236
Total Operating Expenses	14,746,383	13,736,634
Change in Net Assets from Operations	22,053,250	(158,684)
Non-Operating Changes in Net Assets Without Donor Restrictions:		
Change in value of split-interest agreements	(10,372)	(10,751)
	(10,372)	(10,751)
Changes in Net Assets Without Donor Restrictions	22,042,878	(169,435)

(continued)

See notes to financial statements

DENVER SEMINARY

Statements of Activities
(continued)

	Year Ended June 30, 2022	2021
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	6,055,675	7,438,498
Investment income (loss), net of fees	(1,624,806)	3,890,499
Change in value of split-interest agreements	174,382	-
	4,605,251	11,328,997
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	(4,050,705)	(2,477,415)
Expiration of time restrictions	(417,480)	(443,818)
Purpose and time releases from donor endowments	(479,610)	(502,655)
Total Net Assets Released from Restrictions	(4,947,795)	(3,423,888)
Changes in Net Assets with Donor Restrictions	(342,544)	7,905,109
Changes in Net Assets	21,700,334	7,735,674
Net Assets, Beginning of Year	40,333,068	32,597,394
Net Assets, End of Year	$ 62,033,402	$ 40,333,068

See notes to financial statements

DENVER SEMINARY

Statements of Functional Expenses

For the Year Ended June 30, 2022

	Program Services				Supporting Activities			
	Academic & Student Programs	Public Services	Auxiliary Services	Program Total	Institutional Support	Fund-raising	Supporting Total	Total
Salaries and benefits	$ 7,464,724	$ 853,576	$ 213,010	$ 8,531,310	$ 1,220,160	$ 784,725	$ 2,004,885	$ 10,536,195
Depreciation and amortization	886,693	-	-	886,693	77,784	12,840	90,624	977,317
Maintenance and repairs	198,201	162	293,913	492,276	27,975	3,986	31,961	524,237
Technology	311,230	25,098	4,137	340,465	63,932	70,366	134,298	474,763
Office and supplies	308,473	25,119	32,938	366,530	48,073	42,692	90,765	457,295
Advertising, marketing, and printing	82,666	12,780	-	95,446	310,056	51,359	361,415	456,861
Other	98,079	17,742	9,388	125,209	225,007	58,029	283,036	408,245
Travel and entertainment	109,958	44,499	481	154,938	73,330	85,582	158,912	313,850
Professional services	100,441	42,075	6,154	148,670	91,881	16,174	108,055	256,725
Utilities and telephone	138,578	2,647	73,991	215,216	11,670	4,812	16,482	231,698
Interest	71,283	8,110	754	80,147	23,417	5,633	29,050	109,197
Total Expenses	$ 9,770,326	$ 1,031,808	$ 634,766	$ 11,436,900	$ 2,173,285	$ 1,136,198	$ 3,309,483	$ 14,746,383

See notes to the financial statements

DENVER SEMINARY

Statements of Functional Expenses

For the Year Ended June 30, 2021

	Program Services				Supporting Activities			
	Academic & Student Programs	Public Services	Auxiliary Services	Program Total	Institutional Support	Fund-raising	Supporting Total	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
Maintenance and repairs	155,715	1,306	167,001	324,022	41,683	2,085	43,768	367,790
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
Other	187,582	3,219	13	190,814	9,307	13,930	23,237	214,051
Travel and entertainment	17,794	25,245	415	43,454	16,568	68,405	84,973	128,427
Professional services	83,266	17,037	13,579	113,882	75,463	15,002	90,465	204,347
Utilities and telephone	147,770	2,365	98,970	249,105	12,825	5,324	18,149	267,254
Interest	60,498	6,238	714	67,450	23,453	5,333	28,786	96,236
Total Expenses	$ 9,186,133	$ 922,745	$ 821,615	$ 10,930,493	$ 1,814,041	$ 992,100	$ 2,806,141	$ 13,736,634

See notes to the financial statements

DENVER SEMINARY

Statements of Cash Flows

	Year Ended June 30, 2022	Year Ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 21,700,334	$ 7,735,674
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	977,317	1,207,550
Amortization and write off of capitalized loan fees	33,555	3,633
Bad debt	11,038	32,205
Net realized and unrealized (gains) losses on investments and trusts	2,963,623	(4,267,207)
Reinvested interest and dividends on investments and trusts	(683,079)	(392,803)
Change in value of split-interest agreements	(164,010)	10,751
Recognition of charitable lead annuity trust	-	(2,932,799)
Collection of charitable lead annuity trust	250,000	-
Gain on sale of property and equipment	(23,066,998)	-
Change in operating assets and liabilities:		
Accounts receivable–net	(159,435)	(28,677)
Estate receivable	1,153,528	(1,153,528)
Prepaid expenses and other assets	(32,830)	(33,618)
Accounts payable and other liabilities	(59,979)	23,702
Deferred revenue	(114,656)	109,360
Net Cash Provided by Operating Activities	2,808,408	314,243
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(85,078,585)	(1,377,356)
Proceeds from sale of investments	58,552,891	2,116,145
Proceeds from sale of property and equipment	27,470,235	-
Purchases of property and equipment	(1,078,327)	(369,876)
Net Cash Provided (Used) by Investing Activities	(133,786)	368,913
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(17,874)	(34,941)
Payments on note payable	(840,807)	(53,901)
Payments of annuities	(13,555)	(14,161)
Net Cash Used by Financing Activities	(872,236)	(103,003)
Change in Cash and Cash Equivalents	1,802,386	580,153
Cash and Cash Equivalents, Beginning of Year	2,736,492	2,156,339
Cash and Cash Equivalents, End of Year	$ 4,538,878	$ 2,736,492
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:		
Cash paid for interest	$ 109,197	$ 91,636
Recognition of charitable lead annuity trust	$ -	$ 2,932,799
Acquisition of capital leases recorded in property and equipment	$ -	$ 107,937
Acquisition of property and equipment through accounts payable	$ 211,267	$ -
Retirement of capital leases	$ -	$ 28,354

See notes to financial statements

1. NATURE OF ORGANIZATION:

Denver Seminary (the Seminary) offers Master of Divinity (MDiv), Master of Arts (MA), Doctor of Ministry (DMin), and PhD in Counselor Education 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 PhD in Counselor Education and Supervision is a 4-year, relational, cohort-based, online doctoral degree program. This in-depth and integrated experience results in CES professionals who are informed, sophisticated practitioners, ready to engage critical mental health needs. Graduates are enabled to teach, supervise, and counsel in ways that address the complex questions of integrating the faith they believe with the skills they perform. Graduates are recognized as leaders in counseling, counselor education, supervision, and research, able to integrate Christian biblical foundations with counseling theory and practice to engage in issues of advocacy and leadership on local, national, and international levels.

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.

1. NATURE OF ORGANIZATION, continued:

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.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS
Cash consists of petty cash and checking and money market accounts. As of June 30, 2022 and 2021, cash and cash equivalents exceeded federally insured limits by approximately $4,454,000 and $2,337,000, respectively. The Seminary has not experienced any material losses in such accounts.

ESTATE RECEIVABLE
The Seminary records estate receivables in the year the estate clears probate and the amount to be received is estimable. The receivable was paid in full during the year ended, June 30, 2022 so there is no allowance for uncollectable accounts as of June 30, 2021.

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, 2022 and 2021, 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.

INVESTMENTS AND TRUST ASSETS
Investments and trust assets are held in mutual funds, exchange trade funds, bonds, 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

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 $1,889,293 and $1,808,775, for the years ended June 30, 2022 and 2021, 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.

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 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.

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, 2022, under the Higher Education Emergency Relief Fund (HEERF) of the CARES Act and CRRSAA, the Seminary distributed approximately $40,750 to eligible students and approximately $222,000 was used to help the institution offset the financial impact from the COVID-19 pandemic. For the year ended June 30, 2021, under the HEERF CARES Act, 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. Government grants revenue are included in contributions, net assets with donor restrictions, on the statements of activities.

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, 2022 and 2021, of $340,584 and $271,094, respectively, are expensed as incurred and included in the statements of activities.

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, 2022 and 2021.

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.

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, 2022	June 30, 2021
Financial assets:		
Cash and cash equivalents	$ 4,538,878	$ 2,736,492
Accounts receivable–net	387,312	238,915
Estate receivable	-	1,153,528
Investments	43,211,906	18,969,117
Beneficial interest in trust	2,857,181	2,932,799
Trust assets	500,994	616,091
Financial assets, year-end	51,496,271	26,646,942
Less those unavailable for general expenditure within one year, due to:		
Trust assets note expected to be received within one year	(500,994)	(616,091)
Beneficial interest in trust not expected to be received within one year	(2,607,181)	(2,857,181)
Perpetual or term endowments and accumulated earnings subject to appropriation beyond one year	(13,757,208)	(14,533,085)
Funds restricted by donor for specific purposes and/or with time restrictions beyond one year	(5,725,892)	(2,411,197)
Financial assets available to meet cash needs for general expenditures within one year	$ 28,904,996	$ 6,229,388

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.

4. INVESTMENTS:

Investments consist of:

	June 30, 2022	June 30, 2021
Money market funds	$ 13,414,250	$ 305,195
Mutual funds and exchange trade funds	26,508,272	14,521,589
Bonds	1,878,919	-
Alternative investments	1,410,465	4,142,333
	$ 43,211,906	$ 18,969,117

Investment income (loss), related to investments, was ($2,332,286) and $4,603,015 for the years ended, June 30, 2022 and 2021, respectively.

5. TRUST ASSETS:

Trust assets consist of:

	June 30, 2022	June 30, 2021
Money market funds	$ 11,070	$ 9,437
Mutual funds and exchange trade funds	489,924	606,654
	$ 500,994	$ 616,091

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	June 30, 2022	June 30, 2021
Land and land improvements	$ 2,716,920	$ 3,284,366
Building and improvements	16,795,259	24,917,393
Equipment and furnishings	4,139,567	3,978,479
Library books	3,533,871	3,520,301
Art collection	185,952	185,952
	27,371,569	35,886,491
Less accumulated depreciation and amortization	(15,516,327)	(19,115,929)
	11,855,242	16,770,562
Projects in progress	898,832	74,472
	$ 12,754,074	$ 16,845,034

7. DEFERRED REVENUE:

Deferred revenue consists of:

	June 30, 2022	June 30, 2021
Deferred revenue for tuition and fees, beginning of the year	$ 994,782	$ 885,422
Revenue recognized included in beginning balance	(994,782)	(885,422)
Cash received in advance of class performance	880,126	994,782
Deferred revenue for tuition and fees, end of the year	$ 880,126	$ 994,782

8. ANNUITY AND TRUST LIABILITIES:

Annuity and trust liabilities consist of:

	June 30, 2022	June 30, 2021
Revocable trust	$ 500,994	$ 616,091
Annuities payable	61,709	67,253
	$ 562,703	$ 683,344

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 plus 0.25%, with a floor of 3.5%. The agreement matures in March 2023. As of June 30, 2022 and 2021, 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, as of June 30, 2022 and 2021. The related accumulated amortization was $989,827 and $917,200, as of June 30, 2022 and 2021, 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,	
2023	$ 26,928
2024	26,928
2025	26,928
2026	26,928
	107,712
Less interest expense	(13,953)
	$ 93,759

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.

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 $32,838 are due biannually at an interest rate of 5.95%. During the year ended June 30, 2022 a large payment was made on this note as property and equipment was sold and the related portion of the note was paid off. The financing matures June 2037. Future minimum principal payments are:

Year Ending June 30,	
2022	$ 27,256
2023	28,817
2024	30,678
2025	32,551
2026	34,538
Thereafter	485,137
	$ 638,977

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, 2022 and 2021, accumulated amortization related to the capitalized loan fees were $40,822 and $7,267, respectively. Capitalized loan fees are netted against note payable on the statements of financial position.

11. NOTE PAYABLE–NET, continued:

Note payable–net consist of:

	June 30, 2022	June 30, 2021
Note payable	$ 638,977	$ 1,479,784
Less capitalized loan fees	(24,408)	(57,963)
	$ 614,569	$ 1,421,821

12. NET ASSETS WITH DONOR RESTRICTIONS:

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

	June 30, 2022	June 30, 2021
Subject to expenditure for specified purpose or passage of time:		
Projects	$ 6,857,105	$ 4,801,608
Endowment funds	1,836,248	3,638,879
Term endowments	2,683,256	2,844,833
Beneficial interest in trust	2,457,176	2,522,207
Time restricted-estate receivable	-	1,153,528
	13,833,785	14,961,055
Subject to restriction in perpetuity:		
Endowment funds	9,894,392	9,099,079
Beneficial interest in trust	400,005	410,592
	10,294,397	9,509,671
	$ 24,128,182	$ 24,470,726

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.

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, 2022 and 2021. 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 7 funds with deficiencies which totaled $31,397, as of June 30, 2022 and there were no deficiencies of this nature as of June 30, 2021.

Endowment net asset composition by type of fund as of June 30, 2022:

	With Donor Restrictions:			
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	Total
Donor restricted for:				
Scholarships	$ 1,893,456	$ 899,300	$ 6,093,223	$ 8,885,979
Academic Chairs	-	714,009	1,995,230	2,709,239
Lectureships	-	160,512	308,028	468,540
Other	789,800	62,427	1,497,911	2,350,138
	$ 2,683,256	$ 1,836,248	$ 9,894,392	$ 14,413,896

13. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2022:

	With Donor Restrictions:			
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	Total
Endowment net assets, July 1, 2021	$ 2,844,833	$ 3,638,879	$ 9,099,079	$15,582,791
Investment return:				
Interest and dividends	108,462	567,187	-	675,649
Realized gains	819,687	3,459,689	-	4,279,376
Net appreciation	(1,229,932)	(5,349,899)	-	(6,579,831)
Total investment return	(301,783)	(1,323,023)	-	(1,624,806)
Contributions	557,687	-	584,024	1,141,711
Transfer of restriction	-	-	211,289	211,289
Appropriation of endowment assets for expenditure	(417,481)	(479,608)	-	(897,089)
Endowment net assets, June 30, 2022	$ 2,683,256	$ 1,836,248	$ 9,894,392	$14,413,896

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

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

13. ENDOWMENT FUNDS, continued:

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

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

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.

14. <u>FAIR VALUE MEASUREMENTS, continued:</u>

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.

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

The following table presents the fair value measurements of assets and liabilities on a recurring basis as of June 30, 2022 and 2021:

		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
June 30, 2022:				
Assets:				
Investments, beneficial interest in trust, and trust assets:				
Mutual funds and exchange trade funds:				
Equity	$ 15,914,252	$ 15,914,252	$ -	$ -
Fixed income	6,654,353	6,654,353	-	-
Real estate	2,982,664	2,982,664	-	-
Other	1,446,927	1,446,927	-	-
Bonds	1,878,919	-	1,878,919	-
Beneficial interest in trust	2,857,181	-	2,857,181	-
	31,734,296	$ 26,998,196	$ 4,736,100	$ -
Reconciling items held at net asset value:				
Low-correlated hedge funds	1,410,465			
Reconciling items held at cost:				
Money market funds	13,425,320			
Total Investments, Beneficial Interest in Trust, and Trust Assets	$ 46,570,081			

14. FAIR VALUE MEASUREMENTS, continued:

		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
June 30, 2021:				
Assets:				
Investments and trust assets:				
Mutual funds and exchange trade funds:				
Equity	$ 12,428,460	$ 12,428,460	$ -	$ -
Fixed income	1,124,888	1,124,888	-	-
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 equity 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			

Changes in valuation techniques: None.

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, 2022 NAV	June 30, 2021 NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Ironwood:					
Low Correlated Hedge Fund	$ 1,410,465	$ 713,445	None	Semi-Annually	95 days
Common fund:					
Multi-strategy Equity Fund	-	2,140,730	None	Monthly	5 days
Multi-strategy Bond Fund	-	575,908	None	Monthly	5 days
Lighthouse Global:					
Low Correlated Hedge Fund	-	712,250	None	Monthly or Quarterly	60 to 90 days
	$ 1,410,465	$ 4,142,333			

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 $438,053 and $296,958, for the years ended June 30, 2022 and 2021, 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 $332,747 and $313,390, for the years ended June 30, 2022 and 2021, respectively.

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 year ended June 30, 2021, the Seminary paid investment fees of $33,519 to this firm. There was no such related party during the year ended June 30, 2022 as investments were transferred to a new advisory firm during the year.

During the years ended June 30, 2022 and 2021, board of trustees members made contributions totaling approximately $614,905 and $693,269, respectively. During the year ended June 30, 2021, the Seminary received a CLAT which was established by a board member.

18. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 28, 2022, which is the date the financial statements were available to be issued.