DENVER SEMINARY

Financial Statements
With Independent Auditors' Report

June 30, 2023 and 2022

DENVER SEMINARY

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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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 audit.
- 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 27, 2023

DENVER SEMINARY

Statements of Financial Position

	June 30, 2023		June 30, 2022	
ASSETS:				
Cash and cash equivalents	$	1,201,237	$	4,538,878
Accounts receivable–net		320,786		387,312
Prepaid expenses and other assets		605,863		466,101
Operating lease–right-of-use assets		534,837		-
Financing lease–right-of-use assets		75,153		-
Investments		46,086,690		43,211,906
Beneficial interest in trust		4,397,453		2,857,181
Trust assets		496,739		500,994
Property and equipment–net		12,869,875		12,754,074
Total Assets	$	66,588,633	$	64,716,446
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and other liabilities	$	719,503	$	531,887
Deferred revenue		980,083		880,126
Operating lease obligation		542,329		-
Financing lease obligation		77,304		-
Capital lease obligation		-		93,759
Annuity and trust liabilities		551,126		562,703
Note payable–net		588,941		614,569
Total liabilities:		3,459,286		2,683,044
Net assets:				
Without donor restrictions		37,140,563		37,905,220
With donor restrictions:				
Restricted by purpose or time		16,353,441		13,833,785
Restricted in perpetuity		9,635,343		10,294,397
		25,988,784		24,128,182
Total net assets:		63,129,347		62,033,402
Total Liabilities and Net Assets	$	66,588,633	$	64,716,446

See notes to financial statements

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Statements of Activities

	Year Ended June 30,	
	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating Revenues and Other Additions:		
Tuition and fees, net of financial aid	$ 6,383,420	$ 6,599,053
Contributions	979,057	1,307,754
Investment income (loss), net of fees	2,500,919	(269,269)
Auxiliary services and other	539,992	1,147,302
Gain (loss) on sale of property and equipment	(1,173)	23,066,998
Total Operating Revenue	10,402,215	31,851,838
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	3,692,680	4,050,705
Expiration of time restrictions	507,333	417,480
Purpose and time releases from donor endowments	412,902	479,610
Total Net Assets Released from Restrictions	4,612,915	4,947,795
Total Operating Revenues and Other Additions	15,015,130	36,799,633
Operating Expenses:		
Salaries and benefits	11,544,602	10,536,195
Depreciation and amortization	1,075,850	977,317
Maintenance and repairs	640,081	524,237
Office and supplies	493,335	457,295
Travel and entertainment	490,177	313,850
Technology	478,679	474,763
Advertising, marketing and printing	380,870	456,861
Professional services	268,302	256,725
Utilities and telephone	214,806	231,698
Other	142,069	408,245
Interest	41,028	109,197
Total Operating Expenses	15,769,799	14,746,383
Change in Net Assets from Operations	(754,669)	22,053,250
Non-Operating Changes in Net Assets Without Donor Restrictions:		
Change in value of split-interest agreements	(9,988)	(10,372)
	(9,988)	(10,372)
Changes in Net Assets Without Donor Restrictions	(764,657)	22,042,878

(continued)

See notes to financial statements

DENVER SEMINARY

Statements of Activities
(continued)

	Year Ended June 30,	
	2023	2022
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	4,971,012	6,055,675
Investment income (loss), net of fees	1,333,037	(1,624,806)
Change in value of split-interest agreements	169,468	174,382
	6,473,517	4,605,251
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	(3,692,680)	(4,050,705)
Expiration of time restrictions	(507,333)	(417,480)
Purpose and time releases from donor endowments	(412,902)	(479,610)
Total Net Assets Released from Restrictions	(4,612,915)	(4,947,795)
Changes in Net Assets with Donor Restrictions	1,860,602	(342,544)
Changes in Net Assets	1,095,945	21,700,334
Net Assets, Beginning of Year	62,033,402	40,333,068
Net Assets, End of Year	$ 63,129,347	$ 62,033,402

See notes to financial statements

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Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services				Supporting Activities			
	Academic & Student Programs	Public Services	Auxiliary Services	Program Total	Institutional Support	Fund-raising	Supporting Total	Total
Salaries and benefits	$ 8,422,952	$ 1,018,191	$ 65,056	$ 9,506,199	$ 1,236,899	$ 801,504	$ 2,038,403	$ 11,544,602
Depreciation and amortization	976,090	-	-	976,090	85,626	14,134	99,760	1,075,850
Occupancy	317,964	5,088	291,673	614,725	20,104	5,252	25,356	640,081
Office and supplies	331,074	51,708	30,299	413,081	48,905	31,349	80,254	493,335
Travel and entertainment	129,409	69,171	93	198,673	81,741	209,763	291,504	490,177
Technology	336,495	26,701	1,367	364,563	87,834	26,282	114,116	478,679
Advertising, marketing, and printing	66,573	12,599	-	79,172	263,526	38,172	301,698	380,870
Professional services	43,696	64,204	142	108,042	131,243	29,017	160,260	268,302
Utilities and telephone	177,064	3,421	17,025	197,510	11,752	5,544	17,296	214,806
Other	91,140	23,035	-	114,175	16,556	11,338	27,894	142,069
Interest	28,305	3,874	218	32,397	6,929	1,702	8,631	41,028
Total Expenses	$ 10,920,762	$ 1,277,992	$ 405,873	$ 12,604,627	$ 1,991,115	$ 1,174,057	$ 3,165,172	$ 15,769,799

See notes to the financial statements

DENVER SEMINARY

Statement 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
Occupancy	198,201	162	293,913	492,276	27,975	3,986	31,961	524,237
Office and supplies	308,473	25,119	32,938	366,530	48,073	42,692	90,765	457,295
Travel and entertainment	109,958	44,499	481	154,938	73,330	85,582	158,912	313,850
Technology	311,230	25,098	4,137	340,465	63,932	70,366	134,298	474,763
Advertising, marketing, and printing	82,666	12,780	-	95,446	310,056	51,359	361,415	456,861
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
Other	98,079	17,742	9,388	125,209	225,007	58,029	283,036	408,245
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

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Statements of Cash Flows

	Year Ended June 30, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,095,945	$ 21,700,334
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,075,850	977,317
Amortization and write off of capitalized loan fees	1,627	33,555
Bad debt	25,623	11,038
Net realized and unrealized (gains) losses on investments and trusts	(2,063,186)	2,963,623
Reinvested interest and dividends on investments and trusts	(1,344,281)	(683,079)
Change in value of split-interest agreements	(159,480)	(164,010)
Recognition of charitable lead annuity trust	(1,620,804)	-
Collection of charitable lead annuity trust	250,000	250,000
(Gain) loss on sale of property and equipment	1,173	(23,066,998)
Noncash change in leases	(19,915)	-
Change in operating assets and liabilities:		
Accounts receivable–net	40,903	(159,435)
Estate receivable	-	1,153,528
Prepaid expenses and other assets	(139,762)	(32,830)
Accounts payable and other liabilities	398,883	(59,979)
Deferred revenue	99,957	(114,656)
Net Cash Provided (Used) by Operating Activities	(2,357,467)	2,808,408
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(6,080,914)	(85,078,585)
Proceeds from sale of investments	6,609,188	58,552,891
Proceeds from sale of property and equipment	-	27,470,235
Purchases of property and equipment	(1,443,262)	(1,078,327)
Net Cash Used by Investing Activities	(914,988)	(133,786)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on financing lease obligation	(25,030)	(17,874)
Payments on note payable	(27,255)	(840,807)
Payments of annuities	(12,901)	(13,555)
Net Cash Used by Financing Activities	(65,186)	(872,236)

(continued)

See notes to financial statements

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Statements of Cash Flows
(continued)

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES, continued:		
Change in Cash and Cash Equivalents	(3,337,641)	1,802,386
Cash and Cash Equivalents, Beginning of Year	4,538,878	2,736,492
Cash and Cash Equivalents, End of Year	$ 1,201,237	$ 4,538,878
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:		
Operating lease–right-of-use assets obtained in exchange for operating lease obligations	$ 802,467	$ -
Financing right-of-use assets obtained in exchange for financing lease obligations	$ 100,204	$ -
Cash paid for interest	$ 41,028	$ 109,197
Acquisition of property and equipment through accounts payable	$ -	$ 211,267

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, 2023 and 2022, cash and cash equivalents exceeded federally insured limits by approximately $562,000 and $4,454,000, respectively. The Seminary has not experienced any material losses in such accounts.

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, 2023 and 2022, 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. Donated investments and trust assets are initially reported at fair value on the date of the gift, and then for donated investments that are held and not sold, reported at fair value at the end of each fiscal year.

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 Seminary's estimate of fair value is based on the net present value of funds to be received over twenty years using a discount rate of 6.5%. During the year ended June 30, 2023, the Seminary the beneficiary of an additional CLAT in which the funds are held outside of the Seminary. The Seminary has the irrevocable right to receive $250,000 per year for eight years. The fair value for both CLATs are 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 eight years using a discount rate of 6.5%.

OPERATING AND FINANCING LEASES–RIGHT-OF-USE ASSETS AND OBLIGATIONS

The Seminary adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standards below) and its related amendments as of July 1, 2022. The operating lease presented in the statements of financial position include assets of $534,837 and lease obligations of $542,329, as of June 30, 2023. The financing lease presented in the statements of financial position include assets of $75,153 and lease obligations of $77,304, as of June 30, 2023. The Seminary elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2022 without restating prior-year amounts. The additional lease disclosures can be found in Notes 7 and 8.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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 funds.

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

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND SUPPORT

Tuition and fees revenue is recognized when earned, which is when classes occur. Scholarships and financial assistance are awarded to students, which reduce the amount of revenue recognized. Scholarships and financial assistance awarded was $2,014,922 and $1,889,293, for the years ended June 30, 2023 and 2022, 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.

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 and are recorded as fair value as of the date of the gift. 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 and are recorded as fair value as of the date of the gift. 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 and Higher Education Emergency Relief Funds. 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), 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. 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, 2023 and 2022, of $306,059 and $340,584, 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, 2023 and 2022.

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 Seminary. Non-operating includes all other activities that are not considered to be "core educational," such as change in value of split-interest agreements.

RECENTLY ADOPTED ACCOUNTING STANDARD
In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the Accounting Standards Codification [ASC]) The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. A lessee is required to recognize assets and liabilities for leases with terms of more than 12 months. The amendments are effective for fiscal years beginning after December 15, 2021. The Seminary adopted this update for the year ended June 30, 2023. Some of the Seminary's contracts contain the right to control the use of property or assets and are therefore considered leases. The Seminary elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): Targeted Improvements and recorded the impact of adoption as of July 1, 2022, without restating any prior year amounts. The Seminary also elected to record both lease and nonlease components as leases. The additional lease disclosures can be found in Notes 7 and 8. The effect of the adjustment to the opening balance of net assets totaled $4,737. As it was deemed immaterial, the net asset difference was adjusted through facilities on the statements of activities and functional expenses. This amount is reported as a noncash change in leases on the statements of cash flows.

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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	$ 1,201,237	$ 4,538,878
Accounts receivable–net	320,786	387,312
Investments	46,086,690	43,211,906
Beneficial interest in trust	4,397,453	2,857,181
Trust assets	496,739	500,994
Financial assets, year-end	52,502,905	51,496,271
Less those unavailable for general expenditure within one year, due to:		
Funds designated by the board	(878,862)	-
Trust assets note expected to be received within one year	(496,739)	(500,994)
Beneficial interest in trust not expected to be received within one year	(3,897,453)	(2,607,181)
Perpetual or term endowments and accumulated earnings subject to appropriation beyond one year	(15,402,480)	(13,757,208)
Funds restricted by donor for specific purposes and/or with time restrictions beyond one year	(2,438,775)	(5,725,892)
Financial assets available to meet cash needs for general expenditures within one year	$ 29,388,596	$ 28,904,996

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.

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Notes to Financial Statements

June 30, 2023 and 2022

4. INVESTMENTS:

Investments consist of:

	June 30, 2023	June 30, 2022
Cash and cash equivalents	$ 1,796,400	$ 13,414,250
Mutual funds and exchange trade funds	37,456,681	26,508,272
Bonds	3,283,478	1,878,919
Alternative investments	3,550,131	1,410,465
	$ 46,086,690	$ 43,211,906

Investment income (loss), related to investments, was $3,356,397 and ($2,332,286) for the years ended, June 30, 2023 and 2022, respectively.

5. TRUST ASSETS:

Trust assets consist of:

	June 30, 2023	June 30, 2022
Cash and cash equivalents	$ 8,458	$ 11,070
Mutual funds and exchange trade funds	488,281	489,924
	$ 496,739	$ 500,994

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	June 30, 2023	June 30, 2022
Land and land improvements	$ 2,723,986	$ 2,716,920
Building and improvements	18,103,517	16,795,259
Equipment and furnishings	4,716,505	4,139,567
Library books	3,548,220	3,533,871
Art collection	185,952	185,952
	29,278,180	27,371,569
Less accumulated depreciation and amortization	(16,408,305)	(15,516,327)
	12,869,875	11,855,242
Projects in progress	-	898,832
	$ 12,869,875	$ 12,754,074

7. OPERATING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Seminary leases apartments under a noncancelable operating lease expiring May 2025. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the date of adoption. The leases require monthly payments of approximately $24,000.

	June 30, 2023
Operating lease–right-of-use asset	$ 534,837
Operating lease obligation	$ 542,329
Operating lease costs	$ 287,151
Weighted-average discount rate	2.84%
Weighted-average remaining lease term	1.92 years

Future minimum lease payments required under the operating lease are as follows:

Year Ending June 30,	
2024	$ 291,060
2025	266,805
	557,865
Less imputed interest	(15,536)
	$ 542,329

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, the Seminary was applying Topic 840 in relation to operating leases. During the year ended June 30, 2022, the Seminary had an operating lease expense of approximately $203,000.

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8. FINANCING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Seminary leases office equipment under a noncancelable financing lease expiring June 2026. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the date of adoption. The leases require monthly payments of approximately $2,200.

	June 30, 2023
Financing lease–right-of-use asset	$ 75,153
Financing lease obligation	$ 77,304
Financing lease costs:	
Amortization of right-of-use assets	$ 25,051
Interest on lease liabilities	$ 2,607
Weighted-average discount rate	2.88%
Weighted-average remaining lease term	3 years

Future minimum lease payments required under the financing lease are as follows:

Year Ending June 30,	
2024	$ 29,172
2025	26,928
2026	26,928
	83,028
Less imputed interest	(5,724)
	$ 77,304

9. DEFERRED REVENUE:

Deferred revenue consists of:

	June 30, 2023	June 30, 2022
Deferred revenue for tuition and fees, beginning of the year:	$ 880,126	$ 994,782
Revenue recognized included in beginning balance	(880,126)	(994,782)
Cash received in advance of class performance	980,083	880,126
Deferred revenue for tuition and fees, end of the year	$ 980,083	$ 880,126

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Notes to Financial Statements

June 30, 2023 and 2022

10. ANNUITY AND TRUST LIABILITIES:

Annuity and trust liabilities consist of:

	June 30,	
	2023	2022
Revocable trust	$ 496,739	$ 500,994
Annuities payable	54,387	61,709
	$ 551,126	$ 562,703

11. 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 2024. During the years ended June 30, 2023 and 2022, there were no draws on this line of credit.

12. NOTE PAYABLE–NET:

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

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

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

12. NOTE PAYABLE–NET, continued:

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

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

The total amount financed was $1,595,861. Principal and interest payments of $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,	
2024	$ 28,817
2025	30,678
2026	32,551
2027	34,538
2028	36,564
Thereafter	448,574
	$ 611,722

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, 2023 and 2022, accumulated amortization related to the capitalized loan fees was $42,449 and $40,822, respectively. Capitalized loan fees are netted against note payable on the statements of financial position.

Note payable–net consist of:

	June 30,	
	2023	2022
Note payable	$ 611,722	$ 638,977
Less capitalized loan fees	(22,781)	(24,408)
	$ 588,941	$ 614,569

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13. NET ASSETS:

Net assets without donor restrictions:

	June 30, 2023	June 30, 2022
Undesignated funds	$ 36,261,701	$ 37,905,220
Board designated funds:		
Project Any	650,484	-
Employee retention	228,378	-
	$ 37,140,563	$ 37,905,220

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

	June 30, 2023	June 30, 2022
Subject to expenditure for specified purpose or passage of time:		
Projects	$ 5,186,496	$ 6,857,105
Endowment funds	2,347,827	1,836,248
Term endowments	4,762,257	2,683,256
Beneficial interest in trust	4,056,861	2,457,176
	16,353,441	13,833,785
Subject to restriction in perpetuity:		
Endowment funds	9,294,751	9,894,392
Beneficial interest in trust	340,592	400,005
	9,635,343	10,294,397
	$ 25,988,784	$ 24,128,182

14. 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:

- The duration and preservation of the fund
- The purposes of the Seminary and the specific donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Seminary
- The investment policies of the Seminary

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.

14. 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, 2023 and 2022. 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 of $31,397 as of June 30, 2022, there were no deficiencies as of June 30, 2023.

Endowment net asset composition by type of fund as of June 30, 2023:

	With Donor Restrictions:			
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	Total
Donor restricted for:				
Scholarships	$ 3,828,080	$ 1,168,386	$ 5,015,917	$ 10,012,383
Academic Chairs	-	809,577	2,421,633	3,231,210
Lectureships	-	190,374	308,028	498,402
Other	934,177	179,490	1,549,173	2,662,840
	$ 4,762,257	$ 2,347,827	$ 9,294,751	$ 16,404,835

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Notes to Financial Statements

June 30, 2023 and 2022

14. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2023:

	With Donor Restrictions:			
	Restricted via Term Endowments	Restricted by Purpose and/or Time	Restricted in Perpetuity	Total
Endowment net assets, July 1, 2022	$ 2,683,256	$ 1,836,248	$ 9,894,392	$ 14,413,896
Investment income	383,995	949,042	-	1,333,037
Contributions	956,749	-	568,337	1,525,086
Transfer of restriction	1,246,088	(43,110)	(1,167,978)	35,000
Appropriation of endowment assets for expenditure	(507,831)	(394,353)	-	(902,184)
Endowment net assets, June 30, 2023	$ 4,762,257	$ 2,347,827	$ 9,294,751	$ 16,404,835

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

14. 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	$ 9,099,080	$ 15,582,792
Investment loss	(301,783)	(1,323,023)	-	(1,624,806)
Contributions	557,687	-	584,023	1,141,710
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

15. FAIR VALUE MEASUREMENTS:

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

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

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

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

15. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities on a recurring basis as of June 30, 2023 and 2022:

		Fair Value Measurements Using:		
	June 30, 2023	Level 1	Level 2	Level 3
Investments, beneficial interest in trust, and trust assets:				
Money market funds	$ 1,003,157	$ 1,003,157	$ -	$ -
Mutual funds and exchange trade funds:				
Equity	23,587,473	23,587,473	-	-
Fixed income	8,506,297	8,506,297	-	-
Real estate	3,795,167	3,795,167	-	-
Other	2,056,025	2,056,025	-	-
Bonds	3,283,478	-	3,283,478	-
Beneficial interest in trust	4,397,453	-	-	4,397,453
	46,629,050	$ 38,948,119	$ 3,283,478	$ 4,397,453
Reconciling items held at net asset value:				
Low-correlated hedge funds	3,550,131			
Reconciling items held at cost:				
Cash and cash equivalents	801,701			
Total Investments, Beneficial Interest in Trust, and Trust Assets	$ 50,980,882			

15. FAIR VALUE MEASUREMENTS, continued:

		Fair Value Measurements Using:		
	June 30, 2022	Level 1	Level 2	Level 3
Investments, beneficial interest in trust, and trust assets:				
Money market funds	$ 13,425,320	$ 13,425,320	$ -	$ -
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
	45,159,616	$ 40,423,516	$ 1,878,919	$ 2,857,181
Reconciling items held at net asset value:				
Low-correlated hedge funds	1,410,465			
Total Investments, Beneficial Interest in Trust, and Trust Assets	$ 46,570,081			

Changes in valuation techniques: None.

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, 2023 NAV	June 30, 2022 NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Ironwood:					
Low Correlated Hedge Fund	$ 3,550,131	$ 1,410,465	None	Semi-Annually	95 days

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.

16. 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 $599,101 and $438,053, for the years ended June 30, 2023 and 2022, 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.

17. 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 $364,102 and $332,747, for the years ended June 30, 2023 and 2022, respectively.

18. RELATED PARTY TRANSACTION:

During the years ended June 30, 2023 and 2022, board of trustees members made contributions totaling approximately $2,349,000 and $615,000, respectively. During the year ended June 30, 2023, the Seminary received a CLAT which was established by a board member, which was recognized as a contribution in the statements of activities for $1,600,805 and included in board of trustees contributions.

19. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 27, 2023, which is the date the financial statements were available to be issued.