

SOUTHEASTERN BAPTIST  
THEOLOGICAL SEMINARY, INC.  
AND SUBSIDIARY

Consolidated Financial Statements  
With Independent Auditors' Report

July 31, 2024 and 2023

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
AND SUBSIDIARY**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Southeastern Baptist Theological  
Seminary, Inc. and Subsidiary  
Wake Forest, North Carolina

### ***Opinion***

We have audited the accompanying consolidated financial statements of Southeastern Baptist Theological Seminary, Inc. and Subsidiary (a nonprofit corporation), which comprise the consolidated statements of financial position as of July 31, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Southeastern Baptist Theological Seminary, Inc. and Subsidiary 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 Consolidated Financial Statements***

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

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

Board of Trustees  
Southeastern Baptist Theological  
Seminary, Inc. and Subsidiary  
Wake Forest, North Carolina

***Auditors' Responsibility for the Audit of the Consolidated Financial Statements***

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

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

*Capin Crouse LLP*

Lawrenceville, Georgia  
December 10, 2024

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
AND SUBSIDIARY**

**Consolidated Statements of Financial Position**

	July 31,	
	2024	2023
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 4,958,932	\$ 3,958,666
Students accounts receivable (net of allowance of \$266,382 and \$279,649, respectively)	374,926	493,597
Government funds receivable	4,361,664	3,880,706
Prepaid expenses and other assets	1,565,498	1,475,620
Operating lease right-of-use assets	9,170,982	10,598,405
Investments	65,713,739	63,197,623
Beneficial interest in trusts held by others	6,359,364	6,076,441
Property, plant, and equipment—net	34,921,400	34,090,571
<b>Total Assets</b>	<b>\$ 127,426,505</b>	<b>\$ 123,771,629</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 943,676	\$ 480,269
Accrued expenses and other liabilities	2,371,632	1,674,110
Deferred revenue	1,696,394	1,869,870
Operating lease right-of-use liabilities	9,530,203	10,918,440
Post-retirement benefit obligation	10,574,186	11,157,338
<b>Total liabilities</b>	<b>25,116,091</b>	<b>26,100,027</b>
<b>Net assets:</b>		
Without donor restrictions	46,172,695	44,466,385
<b>With donor restrictions:</b>		
Restricted by purpose or time	20,729,676	19,083,729
Restricted in perpetuity	35,408,043	34,121,488
	56,137,719	53,205,217
<b>Total net assets</b>	<b>102,310,414</b>	<b>97,671,602</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 127,426,505</b>	<b>\$ 123,771,629</b>

See notes to consolidated financial statements

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
AND SUBSIDIARY**

**Consolidated Statement of Activities**

Year Ended July 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES AND OTHER SUPPORT:</b>			
Net tuition and fees	\$ 13,939,455	\$ -	\$ 13,939,455
Auxiliary enterprises	5,710,045	-	5,710,045
Denominational support	6,836,570	-	6,836,570
Private gifts and grants	1,221,484	7,436,905	8,658,389
Investment return designated for operating activities	432,112	1,733,269	2,165,381
Employee retention credit	480,958	-	480,958
Other income	688,455	-	688,455
Net assets released from restrictions	6,757,120	(6,757,120)	-
<b>Total Operating Revenues and Other Support</b>	<b>36,066,199</b>	<b>2,413,054</b>	<b>38,479,253</b>
<b>OPERATING EXPENSES:</b>			
Instructional	15,491,369	-	15,491,369
Student services	1,344,462	-	1,344,462
Auxiliary enterprises	6,183,954	-	6,183,954
Institutional support	12,810,614	-	12,810,614
<b>Total Operating Expenses</b>	<b>35,830,399</b>	<b>-</b>	<b>35,830,399</b>
 Change in Net Assets from Operating Activities	 235,800		
<b>NONOPERATING ACTIVITIES:</b>			
Investment return net of amount designated for current operations	934,209	236,525	1,170,734
Other components of net periodic post-retirement costs	(589,443)	-	(589,443)
Post-retirement related changes other than net periodic post retirement costs	1,125,744	-	1,125,744
Change in value of beneficial interest in trusts held by others	-	282,923	282,923
<b>Total Nonoperating Activities</b>	<b>1,470,510</b>	<b>519,448</b>	<b>1,989,958</b>
 Change in Net Assets	 1,706,310	 2,932,502	 4,638,812
 Net Assets, Beginning of Year	 44,466,385	 53,205,217	 97,671,602
 Net Assets, End of Year	 \$ 46,172,695	 \$ 56,137,719	 \$ 102,310,414

See notes to consolidated financial statements

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
AND SUBSIDIARY**

**Consolidated Statement of Activities**

Year Ended July 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES AND OTHER SUPPORT:</b>			
Net tuition and fees	\$ 12,038,733	\$ -	\$ 12,038,733
Auxiliary enterprises	5,481,568	-	5,481,568
Denominational support	7,106,929	-	7,106,929
Private gifts and grants	1,194,284	5,623,337	6,817,621
Investment return designated for operating activities	275,007	1,527,993	1,803,000
Employee retention credit	3,880,706	-	3,880,706
Gain on extinguishment of debt	3,509,900	-	3,509,900
Other income	545,390	-	545,390
Net assets released from restrictions	5,460,406	(5,460,406)	-
<b>Total Operating Revenues and Other Support</b>	<b>39,492,923</b>	<b>1,690,924</b>	<b>41,183,847</b>
<b>OPERATING EXPENSES:</b>			
Instructional	13,962,730	-	13,962,730
Student services	1,325,725	-	1,325,725
Auxiliary enterprises	6,009,106	-	6,009,106
Institutional support	12,698,008	-	12,698,008
<b>Total Operating Expenses</b>	<b>33,995,569</b>	<b>-</b>	<b>33,995,569</b>
<b>Change in Net Assets from Operating Activities</b>	<b>5,497,354</b>		
<b>NONOPERATING ACTIVITIES:</b>			
Investment return net of amount designated for current operations	958,739	2,158,594	3,117,333
Other components of net periodic post-retirement costs	(509,353)	-	(509,353)
Post-retirement related changes other than net periodic post retirement costs	1,141,139	-	1,141,139
Change in value of beneficial interest in trusts held by others	-	605,221	605,221
<b>Total Nonoperating Activities</b>	<b>1,590,525</b>	<b>2,763,815</b>	<b>4,354,340</b>
<b>Change in Net Assets</b>	<b>7,087,879</b>	<b>4,454,739</b>	<b>11,542,618</b>
<b>Net Assets, Beginning of Year</b>	<b>37,378,506</b>	<b>48,750,478</b>	<b>86,128,984</b>
<b>Net Assets, End of Year</b>	<b>\$ 44,466,385</b>	<b>\$ 53,205,217</b>	<b>\$ 97,671,602</b>

See notes to consolidated financial statements

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**

	Year Ended July 31,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 4,638,812	\$ 11,542,618
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,158,910	2,169,150
Non-cash effect of change in accounting principle	-	39,182
Change in value of beneficial interest in trusts held by others	(282,923)	(605,221)
Contributions received for endowment	(1,028,632)	(332,387)
Net realized and unrealized gains on investments	(1,701,353)	(3,637,100)
Reinvested interest and dividends	(1,609,274)	(1,123,675)
Loss on disposal of property, plant, and equipment	-	1,750
Gain on extinguishment of debt	-	(3,509,900)
Changes in operating assets and liabilities:		
Student accounts receivable	118,671	225,615
Government funds receivable	(480,958)	(3,880,706)
Prepaid expenses and other assets	(89,878)	(172,696)
Accounts payable	(145,611)	18,485
Accrued expenses and other liabilities	697,522	459,822
Deferred revenue	(173,476)	135,199
Post retirement benefit obligation	(583,152)	(611,597)
Net Cash Provided by Operating Activities	1,518,658	718,539
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	2,014,511	1,643,441
Purchases of investments	(1,220,000)	(20,800,000)
Purchases of property, plant, and equipment	(2,341,535)	(1,704,302)
Net Cash Used by Investing Activities	(1,547,024)	(20,860,861)

(continued)

See notes to consolidated financial statements

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**  
(continued)

	Year Ended July 31,	
	2024	2023
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for investment in endowments	1,028,632	332,387
Net Cash Provided by Financing Activities	1,028,632	332,387
Change in Cash and Cash Equivalents	1,000,266	(19,809,935)
Cash and Cash Equivalents, Beginning of Year	3,958,666	23,768,601
Cash, and Cash Equivalents, End of Year	\$ 4,958,932	\$ 3,958,666
<b>SUPPLEMENTAL DISCLOSURE</b>		
Right-of-use assets obtained in exchange for operating lease obligations	\$ -	\$ 10,598,405
Property and equipment acquired through accounts payable	\$ 648,204	\$ -

See notes to consolidated financial statements

# SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

July 31, 2024 and 2023

1. NATURE OF ORGANIZATION:

Southeastern Baptist Theological Seminary, Inc. (the Seminary) was founded in 1950 and is an institution of higher learning established and supported through the Cooperative Program by the Southern Baptist Convention (SBC). The Seminary campus is located in Wake Forest, North Carolina. It is governed by the board of trustees (board) who are elected by the SBC. The Seminary prepares men and women by means of academic studies and practical preparation for leadership roles in Baptist churches and in other Christian ministries. The Seminary's main sources of revenue are tuition and fee income as well as denominational support and contributions from the public.

The Seminary is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Seminary qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from certain activities not directly related to the Seminary's tax-exempt purpose is subject to taxation as unrelated business income. The Seminary has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions. Accordingly, no additional disclosures have been made on the consolidated financial statements regarding the *Income Tax* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Seminary does not have any outstanding interest or penalties, and none have been recorded in the consolidated statements of activities for the years ended July 31, 2024 and 2023.

2. SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by the Seminary are described below to enhance the usefulness of the consolidated financial statements to the reader. The preparation of the consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Southeastern Baptist Theological Seminary, Inc. and its wholly owned subsidiary, Southeastern Baptist Theological Seminary Foundation, Inc. (the Foundation). The Foundation had no financial transactions during the fiscal year and carries no assets or liabilities at July 31, 2024 and 2023. All significant intercompany accounts and transactions have been eliminated in consolidation.

# SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

July 31, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

### CASH AND CASH EQUIVALENTS

Cash equivalents are defined as short-term, highly liquid debt securities that are both readily convertible to cash and have an original maturity of three months or less. The Seminary maintains cash and cash equivalents in financial institutions which may, at times, exceed federally insured limits. At July 31, 2024 and 2023, the amounts in excess of federally insured limits were \$4,828,326 and \$3,972,587, respectively. The Seminary has not experienced any losses on such accounts.

### STUDENT ACCOUNTS RECEIVABLE—NET

Student accounts receivable are carried at the original invoice amounts, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. The Seminary separates accounts receivable into risk pools based on their aging. In determining the allowance, the Seminary developed a loss rate for each risk pool. The loss rate is based on identifying troubled accounts, historical collection experience, and by considering current and future economic conditions. Student accounts receivable are written off when deemed uncollectible. Recoveries of student accounts receivable previously written off are recorded when received.

A student accounts receivable is considered past due if any portion of the receivable balance is outstanding beyond the published deadline. Interest is not charged on student accounts receivable. Monthly late fees are assessed at 3% of the outstanding balance capped at \$25.

### GOVERNMENT FUNDS RECEIVABLE

For the years ended July 31, 2024 and 2023, the consolidated statements of financial position include government funds receivable for the amount of credit expected to be claimed under the Employee Retention Credit (ERC) which was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Seminary's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Seminary. During the year ended July 31, 2024, the Seminary recognized \$480,958 of employee retention credit revenue, related to the 2020 calendar year. During the year ended July 31, 2023, the Seminary recognized \$3,880,703 of employee retention credit revenue, related to the 2021 calendar year. For the years ended July 31, 2024 and 2023, the amount of receivable outstanding was \$4,361,664 and \$3,880,706. Management fully expects the receivable to be collectible during the year ended July 31, 2025.

# SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

July 31, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

### INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. Other investments are recorded at cost. Interest and dividend income and the realized and unrealized gain or loss on investments is reported in the accompanying consolidated statements of activities. Donated investments are recorded at market value at the date of donation and thereafter carried in conformity with the stated policy.

Alternative investments have been stated at fair values based on the Seminary's share of net asset values derived from the values of the underlying investments as reported by the fund managers or general partners of the private limited partnerships. Management obtains and considers the most recent audited financial statements of such investments when evaluating the overall reasonableness of carrying value. Management believes this method provides a reasonable estimate of fair value. Due to the inherent uncertainty of valuation of investments in limited partnerships, the estimated values may differ significantly from the values that would have been used had a ready market for the limited partnerships existed.

### BENEFICIAL INTEREST IN TRUSTS HELD BY OTHERS

Beneficial interest in trusts represent an irrevocable instrument, held by the North Carolina Baptist Foundation and several others, which names the Seminary as an irrevocable remaindermen. The value of the Seminary's interest in the agreements are reported as a beneficial interest in trusts held by others asset.

### PROPERTY, PLANT, AND EQUIPMENT—NET

Property and equipment is stated at cost, less accumulated depreciation. Under the Seminary's capitalization policy, any expenditure for buildings less than \$10,000, land improvements less than \$5,000, equipment less than \$5,000, furniture less than \$1,000, and computer equipment less than \$500, are expensed as incurred. The cost of maintenance and repairs are charged to expenses as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Land improvements	40-50
Buildings and improvements	40 (plus actual life prior to 1993)
Furniture, fixtures, and equipment	5-10
Software	5

### DEFERRED REVENUE

Deferred revenue represents the tuition and fees revenue billed and received for the upcoming school year.

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

July 31, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

**CLASSES OF NET ASSETS**

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

*Without donor restrictions* are those which are free of donor-imposed restrictions and all revenues, expenses, gains, and losses that are not net assets with donor restrictions.

*With donor restrictions* are stipulated by donors for specific operating purposes or the acquisition of property and equipment, are time-restricted, or are required by donors to be held in perpetuity with investment return used for operations and scholarships.

**REVENUE AND REVENUE RECOGNITION**

*Tuition and fees revenue:*

For both the traditional and nontraditional programs, tuition revenue is recognized in the reporting period in which the academic programs are delivered. Traditional programs are delivered in the Fall (mid-August to mid-December) and Spring (mid-January to mid-May) academic terms, as well as one Summer term described below. Nontraditional courses are delivered in six-week and twelve-week intervals, with instruction periods beginning each month.

Merit and need-based institutional scholarships are awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Payments for tuition are due by the start of the academic term.

The Seminary offers one traditional Summer term, starting in early May and ending in mid-August. Revenue for the Summer term is recognized ratably over the term.

Net tuition and fees revenue consist of:

	Year Ended July 31,	
	<u>2024</u>	<u>2023</u>
Tuition and fees	\$ 18,265,563	\$ 15,937,349
Less student aid	<u>(4,326,108)</u>	<u>(3,898,616)</u>
Net tuition and fees	<u>\$ 13,939,455</u>	<u>\$ 12,038,733</u>

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

July 31, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND REVENUE RECOGNITION, continued

*Auxiliary enterprise revenue:*

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary enterprises are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary enterprises revenue includes activities for student housing and dining facilities, coffee shops, and the campus bookstore. A small number of institutional scholarships specifically for defraying the costs of residential services are awarded, which reduce the amount of revenue recognized. Payments for housing and dining services are due approximately by the start of the academic term. Dining plans are not offered during the summer term. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

*Contributions and support:*

The Seminary recognizes support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Seminary. Conditional promises to give with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

A portion of the Seminary's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Seminary has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

The Seminary reports gifts of cash and other assets as restricted revenue if 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 consolidated statements of activities as net assets released from restrictions. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

# **SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC. AND SUBSIDIARY**

## **Notes to Consolidated Financial Statements**

July 31, 2024 and 2023

### **2. SIGNIFICANT ACCOUNTING POLICIES, continued:**

#### **REVENUE AND REVENUE RECOGNITION, continued**

##### *Contributions and support, continued:*

The Seminary reports gifts of land, buildings, and equipment as support without donor restrictions 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 and 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 donated or acquired assets have been placed in service.

Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

#### **EXPENSES**

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The Seminary's primary program services are instruction. Expenses reported as student services and auxiliary enterprise are incurred in support of these primary program services.

#### **STUDENT FINANCIAL ASSISTANCE PROGRAMS**

The Seminary participates in various programs administered by the Department of Education (ED) and state boards, and the Seminary acts as an agent for the respective agencies. The governmental grants amounts reported exclude funds directly awarded and credited to students under the various federal and state programs; however, substantial portions of the tuition and fees revenue and collection of accounts receivable as of July 31, 2024 and 2023, are dependent upon the Seminary's continued participation in the various programs.

#### **OPERATING AND NONOPERATING ACTIVITIES**

The consolidated statements of activities present the changes in net assets of the Seminary from both operating activities and nonoperating activities. Operating revenues and expenses relate primarily to educational programs provided by the Seminary. The portion of investment return appropriated for operations and student scholarships on long-term investments held for endowments and similar purposes under the Seminary's total return spending policy is considered operating revenue.

Nonoperating activities consist primarily of (a) investment return in excess of endowments, (b) other components of net periodic post-retirement costs, (c) post-retirement related changes other than net periodic post-retirement costs, and (d) change in value of beneficial interest in trusts held by others.

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

July 31, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING GUIDANCE

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Seminary that are subject to the guidance in FASB ASC 326 are student accounts receivable. The Seminary adopted the standard effective August 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Seminary's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statements of financial position date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	July 31,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 4,958,932	\$ 3,958,666
Students accounts receivable (net of allowance of \$266,382 and \$279,649, respectively)	374,926	493,597
Government funds receivable	4,361,664	3,880,706
Investments	65,713,739	63,197,623
Financial assets, at year-end	75,409,261	71,530,592
Less those unavailable for general expenditures within one year:		
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(36,587,331)	(35,405,052)
Board-designated net assets subject to appropriation beyond one year	(6,271,140)	(6,329,462)
Financial assets available to meet cash needs for general expenditures within one year	\$ 32,550,790	\$ 29,796,078

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3. LIQUIDITY AND FUNDS AVAILABLE, continued:

The Seminary has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Seminary also has a pre-approved available line of credit for up to \$1,500,000 with a bank, which could be drawn upon in the event of an unanticipated liquidity need. At July 31, 2024 and 2023, there were no funds borrowed under this agreement. Additionally, the board-designated quasi endowment funds could be released through board approval for operating cash needs.

4. STUDENT ACCOUNTS RECEIVABLE–NET:

Student accounts receivable–net consists of:

	July 31,	
	2024	2023
Student accounts receivable	\$ 641,308	\$ 773,246
Less allowance for doubtful accounts	(266,382)	(279,649)
	<u>\$ 374,926</u>	<u>\$ 493,597</u>

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5. INVESTMENTS:

Investments consist of:

	July 31,	
	2024	2023
Held at fair value:		
Equities	\$ 9,779,975	\$ 8,762,224
Mutual funds and exchange-traded funds	2,896,932	2,756,160
U.S. government obligations	1,879,122	1,423,610
Corporate bonds	13,269,298	3,511,767
Fixed income securities	4,247,304	4,022,951
	32,072,631	20,476,712
Held at net asset value:		
Alternative investments:		
Hedge funds	4,248,155	6,025,868
Private equity	2,549,369	2,079,136
Private credit	2,293,613	2,969,223
Real assets (natural resources, farmland, real estate)	15,076,398	13,749,938
	24,167,535	24,824,165
Held at cost:		
Cash and cash equivalents	9,473,573	17,896,746
	9,473,573	17,896,746
	\$ 65,713,739	\$ 63,197,623

Investments are held for the following purposes:

	July 31,	
	2024	2023
Investments held for operations	\$ 21,601,266	\$ 20,574,465
Investments held for endowments and scholarships	44,112,473	42,623,158
	\$ 65,713,739	\$ 63,197,623

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5. INVESTMENTS, continued:

Investment income was used for the following purposes:

	Year Ended July 31,	
	2024	2023
Appropriated by the board for operations	\$ 2,165,381	\$ 1,803,000
Nonoperating investment income:		
Without donor restrictions	934,209	958,739
With donor restrictions	236,525	2,158,594
	\$ 3,336,115	\$ 4,920,333

6. PROPERTY, PLANT, AND EQUIPMENT—NET:

Property, plant, and equipment—net consists of:

	July 31,	
	2024	2023
Land	\$ 1,674,247	\$ 1,674,247
Land improvements	2,474,829	2,463,216
Buildings and improvements	58,412,794	57,399,978
Furniture, fixtures, and equipment	12,743,369	12,286,900
Software	1,142,905	1,142,905
	76,448,144	74,967,246
Less accumulated depreciation	(44,404,038)	(42,346,806)
	32,044,106	32,620,440
Construction in progress	2,877,294	1,470,131
	\$ 34,921,400	\$ 34,090,571

7. LINE OF CREDIT:

At July 31, 2024 and 2023, the Seminary has an unsecured line of credit with a bank with available borrowings up to \$1,500,000. Borrowings under the line of credit are at the Secured Overnight Financing Rate (SOFR). There were no outstanding borrowings under the line of credit agreement during the years ended July 31, 2024 and 2023. The outstanding balance and all accrued but unpaid interest will be due on February 12, 2026. The loan agreement associated with the line of credit contains various covenants.

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8. **POSTRETIREMENT BENEFITS:**

The Seminary sponsors a postretirement benefit plan for all employees that meet the eligibility requirements. The plan provides healthcare and life insurance benefits and is noncontributory and unfunded.

The following tables provide a reconciliation of the changes in the post-retirement benefit obligation and the assumptions used in the actuarial calculations.

	July 31,	
	2024	2023
Post-retirement benefit obligation at beginning of year:	\$ 11,157,338	\$ 11,768,935
Net periodic post-retirement costs	910,847	860,124
Post-retirement related changes other than net periodic pot-retirement cost	(1,125,744)	(1,141,139)
Benefits paid	(368,255)	(330,582)
Post-retirement benefit obligation at end of year	\$ 10,574,186	\$ 11,157,338
Net periodic post-retirement benefit costs included in functional expenses:		
Service cost	\$ 321,404	\$ 350,771
Interest cost	589,443	509,353
Net periodic post retirement cost other than service cost	589,443	509,353
	\$ 910,847	\$ 860,124

Net periodic post-retirement cost other than service cost is reported as other components of net periodic post-retirement cost on the consolidated statements of activities.

Post-retirement related changes other than net periodic post-retirement cost, included in nonoperating activities, are as follows:

	July 31,	
	2024	2023
Change in discount rate assumption	\$ (116,478)	\$ (1,615,667)
Change in other economic assumptions	49,077	702,049
Change in demographic assumptions	633	-
Actuarial gain	(1,058,976)	(227,521)
	\$ (1,125,744)	\$ (1,141,139)

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8. POSTRETIREMENT BENEFITS, continued:

Assumptions are made using the weighted-average and assumed annual increases as follows:

	July 31,	
	2024	2023
Discount rate	5.3%	5.3%
Rate of compensation increase	3%	3%
Projected health care trend rate (Pre-65 Medical/Rx)	6.8% - 9.9%	7.4% - 9.8%
Projected health care trend rate (Post-65 Medical/Rx)	4.4% - 6.6%	4.3% - 7.5%
Ultimate rate-Pre-65 (Medical/Rx)	4.4% - 4.9%	4.4% - 4.9%
Ultimate rate-Post-65 (Medical/Rx)	4.4% - 4.9%	4.3% - 4.9%
Year ultimate trend rate is achieved	2032	2031

The mortality basis for the years ended July 31, 2024 and 2023, is based upon the Pri-2012 total dataset tables, using the MP-2021-GFR projection scale.

Future benefits are expected to be paid as follows:

<u>Years Ending July 31,</u>	<u>Amounts</u>
2025	\$ 512,245
2026	518,227
2027	542,766
2028	582,505
2029	627,336
2030-2034	3,507,300
	\$ 6,290,379

9. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Seminary uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Seminary measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

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9. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENTS, continued:

Fair values of assets and liabilities measured on a recurring basis at July 31, 2024 and 2023, are as follows:

	Fair Value Measurements at July 31, 2024			
	Total	Level 1	Level 2	Level 3
Beneficial interest in trusts held by others	\$ 6,359,364	\$ -	\$ -	\$ 6,359,364
Investments:				
Equities	\$ 9,779,975	\$ 9,779,975	\$ -	\$ -
Mutual funds and exchange-traded funds	2,896,932	2,896,932	-	-
U.S. government obligations	1,879,122	-	1,879,122	-
Corporate bonds	13,269,298	-	13,269,298	-
Fixed income securities	4,247,304	4,247,304	-	-
	32,072,631	\$ 16,924,211	\$ 15,148,420	\$ -
Alternative investments, measured at net asset value:				
Hedge funds	4,248,155			
Private equity	2,549,369			
Private credit	2,293,613			
Real assets	15,076,398			
	24,167,535			
Total investments, at fair value	\$ 56,240,166			

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9. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at July 31, 2023			
	Total	Level 1	Level 2	Level 3
Beneficial interest in trusts held by others	\$ 6,076,441	\$ -	\$ -	\$ 6,076,441
Investments:				
Equities	\$ 8,762,224	\$ 8,762,224	\$ -	\$ -
Mutual funds and exchange-traded funds	2,756,160	2,756,160	-	-
U.S. government obligations	1,423,610	-	1,423,610	-
Corporate bonds	3,511,767	-	3,511,767	-
Fixed income securities	4,022,951	4,022,951	-	-
	20,476,712	\$ 15,541,335	\$ 4,935,377	\$ -
Alternative investments, measured at net asset value:				
Hedge funds	6,025,868			
Private equity	2,079,136			
Private credit	2,969,223			
Real assets	13,749,938			
	24,824,165			
Total investments, at fair value	\$ 45,300,877			

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9. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENTS, continued:

Methods and assumptions used by the Seminary in estimating fair values are as follows:

*Beneficial interest in trusts held by others*—The fair value of beneficial interest in trusts held by others is based on the value of the Seminary's proportional share of the overall assets held by the other organizations.

*Equities, mutual funds, exchange-traded funds, U.S. government obligations, corporate bonds, and fixed income securities*—The fair value of these financial instruments is based upon quoted market prices or dealer quotes in an active market.

*Alternative investments*—Based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. These investments include hedge funds, private equity funds, private credit funds, and real assets. Management uses Net Asset Value (NAV) to determine the fair value of all underlying 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 the attributes of an investment company. The Seminary's investments in limited partnerships are valued using NAV per share and management estimates the fair values of these investments based on a review of all available information provided by fund managers and general partners. The Organization also takes into consideration audited financial information to determine overall reasonableness of the recorded value. These fair value estimates are evaluated on a regular basis by management and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term. The alternative investments have passed initial lock-up periods and are available for quarterly distributions with 30-90 days advanced notice.

*Changes in valuation techniques*—None.

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9. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENTS, continued:

The following table lists the Seminary's investments with a reported NAV or equivalent at July 31, 2024:

Investment Category	Strategy	Fair Value Determined Using NAV	Amount of Unfunded Commitment	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Hedge funds	Multi-strategy	\$ 4,248,155	\$ -	Open/Evergreen	Quarterly w/ 60 day notice	25% gate	Y
Private equity	International private equity	1,955,597	575,000	10 Yrs,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2031)
Private credit	Distressed debt	2,293,613	-	7 Yrs,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2026)
Real assets	Natural resources	4,943,310	683,332	12 Yrs,+1,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2029)
Real assets	Natural resources	2,894,441	525,410	12 Yrs,+1,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2033)
Private equity	Venture capital	593,772	825,000	6 Yrs,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2030)
Real assets	Farmland	5,494,875	-	Open/Evergreen	Annual (Sept. 30 notice)	10% withholding	Y
Real assets	Real estate	<u>1,743,772</u>	<u>313,751</u>	10 Yrs,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2032)
		<u>\$ 24,167,535</u>	<u>\$ 2,922,493</u>				

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9. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENTS, continued:

The following table lists the Seminary's investments with a reported NAV or equivalent at July 31, 2023:

Investment Category	Strategy	Fair Value Determined Using NAV	Amount of Unfunded Commitment	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Hedge funds	Multi-strategy	\$ 6,025,868	\$ -	Open/Evergreen	Quarterly w/ 60 day notice	25% gate	Y
Private equity	International private equity	1,952,050	1,000,000	10 Yrs,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2031)
Private credit	Distressed debt	2,969,223	-	7 Yrs,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2026)
Real assets	Natural resources	5,288,279	813,147	12 Yrs,+1,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2029)
Real assets	Natural resources	1,525,148	1,173,545	12 Yrs,+1,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2033)
Private equity	Venture capital	127,086	1,350,000	6 Yrs,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2030)
Real assets	Farmland	5,060,489	-	Open/Evergreen	Annual (Sept. 30 notice)	10% withholding	Y
Real assets	Real estate	<u>1,876,022</u>	<u>224,890</u>	10 Yrs,+1,+1	Full-term commitment	Full-term commitment	Y (est. exit 2032)
		<u>\$ 24,824,165</u>	<u>\$ 4,561,582</u>				

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10. NET ASSETS:

Net assets consist of:

	July 31,	
	2024	2023
Without donor restrictions:		
Undesignated	\$ 39,592,702	\$ 37,830,192
Board-designated	6,579,993	6,636,193
	46,172,695	44,466,385
With donor restrictions:		
Restricted by purpose or time:		
Accumulated gains	9,329,799	9,093,274
Scholarships	1,501,240	1,723,899
Faculty	194,524	165,549
Project renovations	4,572,719	3,654,456
Institutional support	1,231,773	2,384,921
Lectures and awards	139,969	130,683
Library	8,103	7,009
Other	3,751,549	1,923,938
	20,729,676	19,083,729
Restricted in perpetuity:		
Endowment funds	29,048,679	28,045,047
Beneficial interest in trusts held by others	6,359,364	6,076,441
	35,408,043	34,121,488
	\$ 102,310,414	\$ 97,671,602

# SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

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### 11. ENDOWMENT FUNDS:

The Seminary's endowment consists of approximately 380 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of the Seminary has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 net assets restricted in perpetuity as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted by purpose or time until those amounts are appropriated for expenditure by the Seminary in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Seminary considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type:

	July 31,	
	2024	2023
Without donor restrictions:		
Board-designated	\$ 6,579,993	\$ 6,636,193
With donor restrictions:		
Accumulated gains	9,329,799	9,093,274
Original gift	29,048,679	28,045,047
	38,378,478	37,138,321
	\$ 44,958,471	\$ 43,774,514

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11. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended July 31, 2024:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift	
Endowment net assets, beginning of year	\$ 6,636,193	\$ 9,093,274	\$ 28,045,047	\$ 43,774,514
Investment return:				
Dividend and interest income	36,392	-	-	36,392
Net realized/unrealized gains	339,520	1,969,794	-	2,309,314
	<u>375,912</u>	<u>1,969,794</u>	<u>-</u>	<u>2,345,706</u>
Contributions	-	-	1,028,632	1,028,632
Transfers	-	-	(25,000)	(25,000)
Appropriations	(432,112)	(1,733,269)	-	(2,165,381)
Endowment net assets, end of year	<u>\$ 6,579,993</u>	<u>\$ 9,329,799</u>	<u>\$ 29,048,679</u>	<u>\$ 44,958,471</u>

Changes in endowment net assets for the year ended July 31, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift	
Endowment net assets, beginning of year	\$ 6,219,291	\$ 6,934,680	\$ 27,697,660	\$ 40,851,631
Investment return:				
Dividend and interest income	32,627	-	-	32,627
Net realized/unrealized gains	659,282	3,686,587	-	4,345,869
	<u>691,909</u>	<u>3,686,587</u>	<u>-</u>	<u>4,378,496</u>
Contributions	-	-	332,387	332,387
Transfers	-	-	15,000	15,000
Appropriations	(275,007)	(1,527,993)	-	(1,803,000)
Endowment net assets, end of year	<u>\$ 6,636,193</u>	<u>\$ 9,093,274</u>	<u>\$ 28,045,047</u>	<u>\$ 43,774,514</u>

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11. ENDOWMENT FUNDS, continued:

Description of amounts classified as net assets restricted in perpetuity and net assets restricted by purpose or time (endowment only):

	July 31,	
	2024	2023
Net assets restricted in perpetuity:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by SPMIFA	<u>\$ 29,048,679</u>	<u>\$ 28,045,047</u>
Net assets restricted by purpose or time:		
The portion of perpetual endowment funds subject to a time restriction under SPMIFA with purpose restrictions	<u>\$ 9,329,799</u>	<u>\$ 9,093,274</u>

*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 SPMIFA requires the Seminary to retain as a fund of perpetual duration. As of July 31, 2024 and 2023, deficiencies of this nature exist in 4 and 5 funds, which together have an original gift value of \$126,381 and \$146,435, a fair value of \$101,264 and \$120,708, and a deficiency of \$25,117 and \$25,727 respectively. These deficiencies resulted from unfavorable market fluctuations.

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11. ENDOWMENT FUNDS, continued:

*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 endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Seminary must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The overall investment objective is to preserve, over time, the principal value of the assets as measured in real, inflation adjusted terms. The Seminary expects its endowment funds, over time, to provide an average rate of return of approximately eight percent annually. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives:*

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

*Spending Policy and How the Investment Objectives Related to Spending Policy:*

The Seminary has a policy of appropriating for distribution each year up to 5% of its endowment fund's rolling average fair value over the preceding three years. This spending policy is consistent with the average long-term return expectation, intended to provide support of donors' intent and additional growth of the endowment funds.

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**12. EXPENSES BY BOTH NATURE AND FUNCTION:**

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Depreciation is allocated on a square-footage basis. Salaries and benefits, are allocated directly to the function where time and effort are expended. Functional expenses by natural classification as of July 31, 2024:

	Program Activities			Total Program	Institutional Support		Total Expenses
	Instructional	Student Services	Auxiliary Enterprises		General and Administrative	Institutional Advancement	
Salaries and benefits	\$ 13,573,079	\$ 999,805	\$ 862,293	\$ 15,435,177	\$ 5,025,618	\$ 1,986,392	\$ 22,447,187
Utilities, alterations and repairs	52,302	11,146	998,687	1,062,135	1,473,383	11,642	2,547,160
Insurance	-	-	-	-	377,121	-	377,121
Employee development and travel	385,757	1,832	-	387,589	80,826	441,651	910,066
Supplies and services	1,028,261	331,679	2,874,295	4,234,235	2,084,684	1,071,036	7,389,955
Depreciation	451,970	-	1,448,679	1,900,649	258,261	-	2,158,910
Total operating activities	15,491,369	1,344,462	6,183,954	23,019,785	9,299,893	3,510,721	35,830,399
Other components of net periodic post-retirement costs	-	-	-	-	589,443	-	589,443
Total expenses	<u>\$ 15,491,369</u>	<u>\$ 1,344,462</u>	<u>\$ 6,183,954</u>	<u>\$ 23,019,785</u>	<u>\$ 9,889,336</u>	<u>\$ 3,510,721</u>	<u>\$ 36,419,842</u>

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12. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification as of July 31, 2023:

	Program Activities			Total Program	Institutional Support		Total Expenses
	Instructional	Student Services	Auxiliary Enterprises		General and Administrative	Institutional Advancement	
Salaries and benefits	\$ 11,851,020	\$ 959,766	\$ 1,094,113	\$ 13,904,899	\$ 5,282,207	\$ 1,959,969	\$ 21,147,075
Utilities, alterations and repairs	81,668	10,289	914,286	1,006,243	1,549,164	12,359	2,567,766
Insurance	-	-	-	-	482,171	-	482,171
Employee development and travel	341,364	5,227	-	346,591	122,675	374,675	843,941
Supplies and services	1,234,565	350,443	2,545,156	4,130,164	1,647,411	1,007,891	6,785,466
Depreciation	454,113	-	1,455,551	1,909,664	259,486	-	2,169,150
Total operating activities	13,962,730	1,325,725	6,009,106	21,297,561	9,343,114	3,354,894	33,995,569
Other components of net periodic post-retirement costs	-	-	-	-	509,353	-	509,353
Total expenses	\$ 13,962,730	\$ 1,325,725	\$ 6,009,106	\$ 21,297,561	\$ 9,852,467	\$ 3,354,894	\$ 34,504,922

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
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**Notes to Consolidated Financial Statements**

July 31, 2024 and 2023

13. OPERATING LEASES RIGHT-OF-USE ASSETS AND LIABILITIES:

The Seminary leases apartments under a noncancelable operating lease, expiring in May 2030. The lease requires monthly payments of approximately \$140,000. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. Total expenses incurred under these operating leases for the years ended July 31, 2024 and 2023, was \$1,709,240.

	July 31,	
	2024	2023
Operating lease right-of-use assets	\$ 9,170,982	\$ 10,598,405
Operating lease right-of-use liabilities	\$ 9,530,203	\$ 10,918,440
Operating lease costs	\$ 1,709,240	\$ 1,709,240
Weighted-average discount rate	2.74%	2.74%
Weighted-average remaining lease term	5.4	6.2

Future minimum lease payments required under the operating lease that has an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Years Ending July 31,</u>	<u>Amounts</u>
2025	\$ 1,689,646
2026	1,787,616
2027	1,787,616
2028	1,787,616
2029	1,787,616
Thereafter	1,489,680
	10,329,790
Less imputed interest	(799,587)
	\$ 9,530,203

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14. REVENUE FROM CONTRACTS WITH STUDENTS:

The beginning and ending balances of the assets and liabilities related to contracts with students are as follows:

	Year Ended July 31,	
	2024	2023
Student accounts receivable–net, beginning of year	\$ 493,597	\$ 719,212
Student accounts receivable–net, end of year	\$ 374,926	\$ 493,597
Refunds due to students, beginning of year	\$ 756,841	\$ 659,745
Refunds due to students, end of year	\$ 623,765	\$ 756,841
Deferred revenue, beginning of year*	\$ 1,869,870	\$ 1,734,671
Deferred revenue, end of year*	\$ 1,696,394	\$ 1,869,870

\* Includes refunds due to students.

# **SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC. AND SUBSIDIARY**

## **Notes to Consolidated Financial Statements**

July 31, 2024 and 2023

### **15. EMPLOYEE BENEFITS:**

#### **RETIREMENT PLAN**

The Seminary sponsors a defined contribution retirement plan (the Plan), which covers substantially all full-time regular employees. The Plan is administered by GuideStone Financial Resources of the SBC. The Seminary contributes 10% of each eligible participant's compensation to the plan and will match an employee's contribution up to 5%.

Contributions to the Plan are held by the Plan custodian. Retirement fund investments are self-directed by the plan participants and the Seminary has no further funding obligation once the contribution has been made. The Seminary's contribution to the plan for the years ended July 31, 2024 and 2023, amounted to \$1,143,484 and \$1,142,556, respectively.

#### **HEALTH INSURANCE**

Effective January 2022, the Seminary switched from a traditional group health insurance plan to managed individual health insurance plans. The Seminary has recorded a shared responsibility payment liability of \$1,269,705 and \$779,463 as of July 31, 2024 and 2023, respectively. The Seminary also gives full-time employees access to certain HRA (health reimbursement arrangement) funds. As of July 31, 2024 and 2023, the Seminary has recorded an HRA liability of \$112,644 and \$120,675, respectively. The shared responsibility payment and HRA liabilities are included with accrued expenses and other liabilities on the consolidated statements of financial position.

### **16. RISKS AND UNCERTAINTIES:**

As part of the response to the impact of COVID-19, the Seminary applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. In April 2020, the Seminary was approved for and received the proceeds of a loan in the amount of \$3,509,900. The Seminary received full loan forgiveness from the SBA during the year ended July 31, 2023, and recognized the amount as a gain on extinguishment of debt without donor restrictions in the accompanying consolidated statements of activities.

**SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.  
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**Notes to Consolidated Financial Statements**

July 31, 2024 and 2023

17. DONOR CONCENTRATION:

During the years ended July 31, 2024 and 2023, three donors gave 48% and 51% of the Seminary's total private gifts and grants, respectively.

18. COMMITMENTS:

During the year ended July 31, 2023, the Seminary entered into an agreement for certain software. Required minimum payments are as follows:

<u>Years Ending July 31,</u>	<u>Amounts</u>
2025	\$ 540,459
2026	433,418
2027	402,697
2028	<u>422,832</u>
	<u>\$ 1,799,406</u>

During the year ended July 31, 2024, the Seminary entered into an agreement for certain construction renovations. Subsequent to year-end, the Seminary has paid approximately \$1,896,000 and expects to pay an additional \$286,000 during the year ended July 31, 2025.

19. SUBSEQUENT EVENTS:

On August 6, 2024, the University signed a \$6,000,000 promissory note. The loan bears interest at a variable rate based on the Secured Overnight Financing Rate (SOFR). Beginning October 2024, requires monthly payments of interest only through July 2027, at which time all remaining unpaid principal and accrued interest is due; secured by the Seminary's accounts receivable.

Subsequent events have been evaluated through December 10, 2024, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

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**Notes to Consolidated Financial Statements**

July 31, 2024 and 2023

20. RELATED PARTY TRANSACTIONS:

The Seminary has no related party transactions with organizations outside the denomination. The SBC elects the Seminary's board of trustees as well as provides significant funding for operations. During the years ended July 31, 2024 and 2023, the Convention made cash donations to the Seminary in the amount of \$6,836,570 and \$7,106,929, respectively. Other transactions related to the denomination include certain benefit administration by Guidestone and beneficial interest in trusts held by other SBC state foundations.