GATEWAY SEMINARY
OF THE SOUTHERN BAPTIST CONVENTION

Statement of Financial Position

July 31, 2019

ASSETS:	
Cash and cash equivalents	$ 2,422,434
Accounts receivable - net	79,232
Prepaid expenses	185,915
Real estate held for sale - net	1,847,517
Assets held in trust	527,665
Notes receivable	1,782,500
Investments held for long-term purposes	50,974,577
Land, buildings, and equipment - net	55,729,796
Beneficial interest in split interest agreements	6,420,103
Total Assets	$ 119,969,739
LIABILITIES AND NET ASSETS:	
Liabilities:	
Accounts payable	$ 225,381
Accrued liabilities	257,638
Deferred income	328,572
Trust liabilities	216,765
Post retirement benefit obligation	5,643,952
	6,672,308
Net assets:	
Without donor restrictions	
Undesignated	52,243,117
Quasi-endowment	32,421,479
	84,664,596
With donor restrictions	28,632,835
	113,297,431
Total Liabilities and Net Assets	$ 119,969,739

See notes to financial statements

Statements of Activities

Year Ended July 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:			
Tuition and fees - net	$ 2,996,482	$ -	$ 2,996,482
Contributions	194,820	1,061,677	1,256,497
Southern Baptist Cooperative program	3,991,950	-	3,991,950
Interest and dividends	267,847	753,665	1,021,512
Land sale quasi endowment appropriations	1,281,840	-	1,281,840
Auxiliary enterprises	515,517	-	515,517
Other revenue and income	175,244	-	175,244
Net assets released from restrictions	2,240,502	(2,240,502)	-
	11,664,202	(425,160)	11,239,042
OPERATING EXPENSES:			
Instructional	5,470,586	-	5,470,586
Academic support	1,467,094	-	1,467,094
Institutional support	3,368,743	-	3,368,743
Student services	1,042,343	-	1,042,343
Auxiliary enterprises	347,283	-	347,283
	11,696,049	-	11,696,049
Change in Net Assets from Operations	(31,847)	(425,160)	(457,007)

	Without Donor Restrictions	With Donor Restrictions	Total
NON-OPERATING:			
Realized and unrealized gains on marketable securities	1,043,487	(380,984)	662,503
Land sale quasi endowment interest	342,727	-	342,727
Land sale quasi endowment appropriations	(1,281,173)	-	(1,281,173)
Change in post retirement benefit obligation	(272,212)	-	(272,212)
Loss on write-off of receivables	(19,733)	-	(19,733)
Loss on sale of land, buildings, and improvements	(1,246)	-	(1,246)
Loss on value of beneficial interest	-	(86,637)	(86,637)
Gain on value of split-interest agreements	-	5,389	5,389
Depreciation expense	(2,003,327)	-	(2,003,327)
Total Non-Operating	(2,191,477)	(462,232)	(2,653,709)
Change in Net Assets	(2,223,324)	(887,392)	(3,110,716)
Net Assets, Beginning of Year	86,887,920	29,520,227	116,408,147
Net Assets, End of Year	$ 84,664,596	$ 28,632,835	$113,297,431

See notes to financial statements

Statements of Cash Flows
July 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (3,110,716)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,003,327
Contributions received for endowment purposes	(51,230)
Realized and unrealized gain on investments	(662,503)
Loss on write-off of receivables	19,733
Loss on disposal land, buildings, and improvements	1,246
Change in beneficial interest in split interest agreements	51,847
Gifts of beneficial interest in split interest agreements	(220,469)
Change in value of trusts	29,402
Changes in operating assets and liabilities:	
Accounts receivable	(50,876)
Prepaid expenses	(58,981)
Accounts payable	(82,173)
Accrued liabilities	(34,780)
Deferred income	(26,256)
Post retirement benefit obligation	272,212
Net Cash Used in Operating Activities	(1,920,217)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(237,645)
Issuance of notes receivable	(80,000)
Collections on notes receivable	180,000
Purchases of investments	(1,488,908)
Proceeds from sale of investments	2,922,221
Sale of trust investments for distributions to beneficiaries	(81,573)
Net Cash Provided by Investing Activities	1,214,095
CASH FLOWS FROM FINANCING ACTIVITIES:	
Distributions to trust beneficiaries	81,573
Contributions received for endowment purposes	51,230
Net Cash Provided by Financing Activities	132,803
Change in Cash and Cash Equivalents	(573,319)
Cash and Cash Equivalents, Beginning of Year	2,995,753
Cash and Cash Equivalents, End of Year	$ 2,422,434
SUPPLEMENTAL DISCLOSURE:	
Write off of fully depreciated fixed assets	$ 205,578

See notes to financial statements

Notes to Financial Statements
July 31, 2019

1 - NATURE OF ORGANIZATION:

Gateway Seminary of the Southern Baptist Convention (the Seminary), a nonprofit California corporation, provides graduate level religious education in the western United States of America. The Seminary is accredited by two accrediting bodies: 1) The Association of Theological Schools (ATS) in the United States and Canada; and 2) The Western Association of Schools and Colleges (WASC). Currently, the Seminary offers two diploma programs, nine masters level degrees, and two doctoral degrees.

The Seminary's main campus relocated from Mill Valley, California to Ontario, California during the summer of 2016. The Seminary also has the following campuses: the Brea Campus in Brea, California, which was transferred to real estate held for sale as of July 31, 2018 (see Note 2); the Bay Area Campus which is located in Fremont, California; the Pacific Northwest Campus in Vancouver, Washington; the Arizona Campus in Phoenix, Arizona; and the Rocky Mountain Campus in Centennial, Colorado. The Seminary changed it's name from Golden Gate Baptist Theological Seminary after the year ended July 31, 2016.

The Seminary is governed by a Board of Trustees elected by the Southern Baptist Convention (the Convention). The Seminary is listed as an organization under the Convention's Group Exemption No. 1674. The Seminary is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Seminary's federal tax identification number is 94-1294918. However, the Seminary is subject to federal income tax on any unrelated business taxable income. Contributions by the public are deductible for income tax purposes.

It is also exempt from state income taxes and is designated as a Church by the State of California Franchise Tax Board. The Seminary's corporate identification number for the State of California is #C0232285. In addition, the Seminary maintains corporate status in the following states: 1) Arizona – #F07504884, 2) Colorado - #19961093746 and 3) Washington – UBI #601793525.

The Seminary has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. Income for the Seminary primarily consists of contributions, tuition, and fees.

On April 30, 2018, the Seminary closed the Golden Gate Baptist Theological Seminary Foundation Incorporated. At the time of its closing, the Foundation had no assets. The Seminary owns one additional corporation; the Golden Gate Housing and Development Corporation. This corporation had no activity in the year ended July 31, 2019.

The Seminary also has reserved the following names for doing business: 1) Gateway Seminary and 2) Golden Gate Baptist Theological Seminary.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Seminary have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

The Seminary considers cash on hand, and cash on deposit to be cash equivalents. The Seminary maintains its cash accounts with various financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. At July 31, 2019, the Seminary had cash balances that exceeded the balance insured by the FDIC by approximately $2,117,000. The Seminary has not experienced any losses in these accounts.

INVESTMENTS

Investments consist of an invested interest in various pooled investment funds, as well as other equity, bond, and real estate funds. Investments in the pooled investment funds are carried at the fair market value of the underlying investments. Other investments are stated at fair value. Investment income, consisting of interest and dividends and realized and unrealized gains (losses), is allocated to net assets with restrictions if stipulated by the donor. Income from pooled investments is allocated on the basis of carrying values, adjusted for additions and withdrawals. Church bonds are reported at fair value, as determined by management's assessment of the net realizable value. Investment fees were approximately $223,000 during the year ended July 31, 2019.

ACCOUNTS RECEIVABLE

The Seminary grants credit for tuition to certain students, with typical payment terms being due monthly within the semesters. Resulting accounts receivable are stated at the principal amount outstanding, net of an allowance for doubtful accounts. An allowance for doubtful accounts is established when losses are estimated to have occurred, through a charge to expense. Receivables are charged against the allowance for doubtful accounts when management believes that collectability is unlikely. The allowance was approximately $41,000 for the year ended July 31, 2019.

REAL ESTATE HELD FOR SALE

The Seminary placed real estate in Brea, California, up for sale during the year ended July 31, 2018. The property was previously used in operations and transferred to assets held for sale during the year ended July 31, 2018. The real estate is held at the lower of cost or fair market value.

ASSETS HELD IN TRUST AND TRUST LIABILITIES

As trustee, the Seminary administers trusts that provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. The associated trust liabilities are revalued annually using the federal mortality and discount factors used at inception. Included in the trust liability is the actuarially determined present value of future payments to beneficiaries.

LAND, BUILDINGS, AND EQUIPMENT

Expenditures for land, buildings, and equipment in excess of $500 are recorded at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to activities over their estimated service lives, ranging from 3 to 50 years, using the straight-line method.

BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS

Beneficial interest in split interest agreements reflect amounts held by third party trustees in which the Seminary has been named a beneficiary. These amounts are the expected future benefit to be received as a result of the trust agreements as well as amounts that are held in perpetuity by the third party trustees.

DEFERRED INCOME

Deferred income are deposits received in advance for the following school year. Revenue from these deposits are recognized in the year when earned.

NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restrictions are those currently available at the discretion of the board for use in the Seminary's operations or designated for specific purposes.

Net assets with donor restrictions are those which are stipulated by donors for specific operating purposes, for capital projects or are time restricted. Additionally, net assets with donor restrictions includes investments restricted in perpetuity. The income from these assets is available for either general operations or specific programs as specified by the donor.

Contributions are recorded as with donor restrictions if they are received with stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restrictions expires, the net assets are reclassified from with donor restrictions to without donor restrictions and reported in the statements of activities as net assets released from restrictions.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed in service.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to the Seminary. The Seminary receives non-cash gifts that are recorded as support at the estimated fair market value on the date of the gift. Goods given to the Seminary that do not have an objective basis for valuation are not recorded.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

TUITION AND FEE REVENUE

Tuition and fee revenue is recognized at the standard catalog rate when the amount has been earned.

OPERATING AND NON-OPERATING

Revenues, expenses, gains, and losses are allocated between operating and non-operating based on the underlying influence, control, and discretion of management. Accordingly, operating revenue includes tuition and fees, contributions, quasi endowment property appropriations, interest and dividends, Southern Baptist Convention allocations, and auxiliary enterprises, but does not include realized and unrealized gains (losses) on marketable securities. Operating expenses include salaries and wages, facility costs, supplies, and professional services, but do not include bad debts, loss on value of beneficial interest in split interest agreements, change in post retirement benefit obligation, and depreciation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

REVENUE CONCENTRATION

During the year ended July 31, 2019, the Seminary received approximately 36% of its operating revenue from the denomination.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Gateway Seminary of the Southern Baptist Convention adopted the provisions of this new standard during the year ended July 31, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 15).

3 - ASSETS HELD IN TRUST:

Assets held in trust consist of:

Money markets	$ 30,422
Equity funds	350,254
Bond funds	120,738
Emerging markets	26,251
	$ 527,665

Assets held in trust have been included in the fair value hierarchy table at Note 6.

4 - NOTES RECEIVABLE:

Notes issued under the Home Purchase Assistance Program (HPA) help faculty and certain staff purchase or refinance a home in the area. With the assistance of the Southern Baptist Convention, the Seminary has established a cost-of-living endowment for this purpose. Eligible employees are full-time trustee-elected faculty and administration. The president approves eligible employees for participation in the HPA.

The HPA program is a combination loan and equity share agreement, with the borrower retaining full title to the property. During the first five years, the note carries a fixed interest rate and principal can be repaid. At the end of five years, the borrower may pay off the note. The note converts to a shared equity agreement after five years, at which time the Seminary shares in either the gain or loss from the disposition of the property based on the percentage the original note was to the purchase price. Interest at the rate of 2% is payable annually. The notes are secured by trust deeds and payable upon maturity, ranging from December 2022 to November 2048. The Seminary may exercise the option to accelerate the maturity date as a result of the following events: 1) termination of employment or, 2) the death of the borrower. At the time of sale or disposition of the home, additional interest computed on the increase in the value of the property, not to exceed 10% per annum is due. There were no notes in default as of July 31, 2019.

Equity participation notes receivable are carried at face value net of any anticipated losses due to uncollectible amounts or settlement of notes. Allowances for impaired notes receivable are determined based on collateral values or the present value of estimated cash flows. As of July 31, 2019, there was no allowance for doubtful accounts due to the high collectability experienced by the Seminary.

5 - INVESTMENTS:

Investments consist of:

Investment in pooled funds held by:	
Commonfund	$ 37,565,921
Baptist Foundation of California	2,453,755
Equity funds	8,284,958
Bond funds	2,609,939
Short-term funds (money market)	409,183
Other	178,486
	$ 51,502,242

Included in the multi-strategy funds and bond funds held by Commonfund (CF) are limited amounts of non-readily marketable investments including limited partnerships. Because these investments are part of the entire portfolio, there are no specific amounts identified. Investments with no readily determinable market value are reported at fair value using estimated market value when no ready market exists. Estimated market value is based on reasonable valuation methodologies including items such as appraisals and recent offering prices. There were no capital call commitments to Commonfund as of July 31, 2019.

6 - FAIR VALUE MEASUREMENTS:

Fair value is defined under the Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification for Fair Value Measurement as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market between market participants on the measurement date.

The fair values of investments are based on the framework established in the topic which establishes a three-level hierarchy for determining fair value. The valuations for each of these levels are determined as follows:

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable.

Level 3 - Model-based techniques using significant assumptions that are not observable. These unobservable assumptions reflect estimates of assumptions that market participants would use.

The table below presents the level within the fair value hierarchy at which investments held for long term purposes, assets held in trust, and beneficial interest in split interest agreements are measured at July 31, 2019:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equity funds:				
Small cap	$ 1,266,897	$ 1,266,897	-	-
Mid cap	454,978	454,978	-	-
Large cap	3,532,395	3,532,395	-	-
International equity	3,030,689	3,030,689	-	-
Bond funds:				
Corporate bonds	637,052	637,052	-	-
Government bonds	317,802	317,802	-	-
Global bonds	1,655,086	1,655,086	-	-
Other	178,486	147,233	31,252	-
Beneficial interest in split interest agreements	6,420,103	-	-	6,420,103
	$ 17,493,486	$ 11,042,131	$ 31,252	$ 6,420,103
Investments held at net asset value				
Investment in pooled funds held by:				
Commonfund	37,565,921			
Baptist Foundation of California	2,453,755			
	57,513,162			
Money market funds	409,183			
Total investments held for long term purposes, assets held in trust, and beneficial interest in split interest agreements	$ 57,922,345			

Investment in pooled funds held by Commonfund and the Baptist Foundation of California - The fair value of these financial instruments is based upon the Seminary's per share interest in the pooled funds as reported by Commonfund and the Baptist Foundation of California. The Seminary is able to redeem its investment in the pool at the reporting date.

Assets held in trust - The fair value of assets held in trust is based on the value of the underlying investments held by the Seminary.

Beneficial interest in split interest agreements - The fair value of beneficial interest in split interest agreements is based on the value of the Seminary's proportional share of the overall assets held by other organizations.

7 - LAND, BUILDINGS, AND EQUIPMENT - NET:

Land, buildings, and equipment - net consist of:

Buildings and improvements	$ 50,436,438
Furniture, fixtures, and equipment	6,182,059
Library books and films	1,755,517
	58,374,014
Less accumulated depreciation	(9,128,247)
	49,245,767
Land	6,446,606
Construction in progress	37,423
	$ 55,729,796

8 - PENSION PLAN:

All full-time employees are eligible to participate in a defined contribution retirement plan (the Plan), under Code Section 403(b). The Plan is administered by GuideStone and operates as a multiemployer plan. The Plan is noncontributory for employees, and employer contributions are 10% of each participant's annual earnings after three years of continuous service with either the Seminary or another entity operating under the oversight of the Southern Baptist Convention. Pension expense for the year ended July 31, 2019 was approximately $430,000.

9 - POST RETIREMENT BENEFIT OBLIGATION:

Substantially all Seminary employees are eligible for certain post retirement health and supplemental benefits at normal retirement age if working for the Seminary at such date. It is required that employees have served at least seven years prior to retirement at social security retirement age or beyond. There are no plan assets because the Seminary has not funded a trust in conjunction with such benefits, and pays such post retirement benefit costs on a pay-as-you-go basis. At July 31, 2019, the Seminary had recorded a benefit obligation of $5,643,952 in the statements of financial position. During the year, the Seminary decided to change the requirements for the retirement benefit. The plan is no longer available to new employees or employees currently under the age of 55. Additionally, the amount of time it takes to qualify for the retirement benefit has increased from seven to ten years. The plan change resulted in a gain of approximately $248,000.

The following major assumptions were used to determine the benefit obligation at July 31, 2019:

Discount rate	3.31%
Rate of compensation increase	2.00%
Initial rate of health care cost increase	
Pre-65 (Medical/Rx)	7.1%/7.5%
Post-65 (Medical/Rx)	3.2%/6.9%
Ultimate rate (time to ultimate rate of 9 years)	
Pre-65 (Medical/Rx)	4.75%/5.25%
Post-65 (Medical/Rx)	3.2%/5.25%
Dental care trend rate	3.70%

During the year ended July 31, 2019, the Seminary had a net periodic postretirement benefit cost of approximately $511,000, and contributions made to pay benefits were approximately $297,000.

Amounts recognized in unrestricted net assets consist of:

Service cost	$ 347,858
Interest cost	228,129
Benefits paid	(297,573)
Plan change	(247,807)
Change in discount rate assumption	505,130
Change in other economic assumptions	(102,051)
Change in demographic assumptions	(73,054)
Actuarial gain	(88,420)
	$ 272,212

The following are expected contributions to pay anticipated benefits, which reflect expected future services, over the next 10 years:

Year ended July 31,	
2020	$ 283,492
2021	275,189
2022	275,816
2023	321,479
2024	355,968
Years 2025-2029	1,984,999
	$ 3,496,943

10 - TUITION:

Tuition is reflected net of student scholarships and tuition discounts for Seminary employees and their dependents. Student scholarships were approximately $607,000 and tuition discounts were approximately $44,000 for the year ended July 31, 2019.

11 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets consist of:

Donor restricted net assets are available for:

Instruction	$ 13,591,552
Student aid and services	7,550,441
Institutional support	7,026,294
Charitable trusts - time restricted	274,394
Regional campuses	101,740
Other	88,415
	28,632,835

Net assets released from purpose restrictions were:

Instruction	$ 600,970
Regional campuses	609,230
Student aid and services	592,352
Institutional support	437,850
Other	100
	$ 2,240,502

Donor restricted net assets held in perpetuity are:

	Endowments	Beneficial Interest	Total
Instruction	$ 7,551,624	$ 2,826,605	$ 10,378,229
Institutional support	3,520,840	2,237,526	5,758,366
Student aid and services	3,721,322	1,355,972	5,077,294
	$ 14,793,786	$ 6,420,103	$ 21,213,889

12 - FUNCTIONAL CLASSIFICATION:

The Seminary's program consists of a single activity, which is to provide education to students. Accordingly, certain costs have been allocated using activity based costing such as allocating facility costs on the basis of square feet. IT-related costs are allocated by service and effort estimate based on project tracking by the IT Director. The system maintenance costs are allocated based on module users with common module costs shared among users. Plant Operations are allocated by service effort for salaries and benefits then by square footage. The Seminary has student housing which takes approximately 34% of facility maintenance labor efforts. The remaining 66% and other costs are on the main campus allocated based on square footage. Building depreciation is allocated by square footage used to support each function within location (i.e. Main Campus, Apartments and Regional Campuses). Equipment depreciation is allocated based on the location where the equipment is being used.

The expenses of the Seminary are classified on a natural basis among its program services and supporting activities and are reflected below:

	Program Activities				Supporting Activities				
	Instructional	Academic Support	Student Services	Auxiliary	General and Administration	Fundraising	Institutional Support - IT	Plant Operations	Total
Salaries and Benefits	$ 4,326,633	$ 952,376	$ 737,665	$ 88,450	$ 1,212,934	$ 712,134	$ 317,031	$ 136,295	$ 8,483,518
Utilities, maintenance, lease and insurance	64,046	49,113	967	114,042	95,563	3,850	162,275	937,264	1,427,120
Advertising, printing and supplies	109,408	150,843	39,749	2,642	54,699	170,601	3,270	20,330	551,542
Travel and campus activities	284,261	11,250	172,848	-	212,044	67,778	4,451	2,161	754,793
Dues, Professional & Others	128,981	87,907	18,076	15,813	148,451	71,510	6,547	1,791	479,076
	4,913,329	1,251,489	969,305	220,947	1,723,691	1,025,873	493,574	1,097,841	11,696,049
Total operating expenses	$ 4,913,329	$ 1,251,489	$ 969,305	$ 220,947	$ 1,723,691	$ 1,025,873	$ 493,574	$ 1,097,841	$ 11,696,049

The allocated expenses of the Seminary are classified on a natural basis among its program services and supporting activities and are reflected below:

	Program Activities						
	Instructional	Academic Support	Student Services	Auxiliary	General and Administration	Fundraising	Total
Salaries and Benefits	$ 4,503,846	$ 973,991	$ 741,148	$ 134,790	$ 1,414,740	$ 715,008	$ 8,483,523
Utilities, maintenance, lease and insurance	428,582	238,464	69,774	192,081	455,709	42,509	1,427,119
Advertising, printing and supplies	118,632	154,620	40,358	4,235	62,594	171,103	551,541
Travel and campus activities	286,955	11,721	172,924	199	215,152	67,840	754,792
Dues, Professional & Others	132,571	88,298	18,139	15,977	152,527	71,562	479,074
	5,470,586	1,467,094	1,042,343	347,283	2,300,721	1,068,022	11,696,049
Depreciation	593,740	378,939	49,988	348,223	591,184	41,253	2,003,327
Total operating expenses and depreciation	$ 6,064,326	$ 1,846,033	$ 1,092,331	$ 695,506	$ 2,891,905	$ 1,109,275	$ 13,699,376

13 - OPERATING LEASES:

The Seminary leases office equipment under operating lease agreements with monthly payments totaling approximately $2,000. The leases mature through April 2022. Lease expense for the year ended July 31, 2019 was approximately $23,000.

Future minimum lease payments are:

Year Ending July 31,		
2020	$	23,201
2021		21,689
2022		3,673
	$	48,563

The Seminary leases office space to other organizations. The lease payments are $5,970 per month and mature through October 2022. The future receipts are as follows:

Year Ending July 31,		
2020	$	71,640
2021		71,640
2022		35,640
2023		8,910
	$	187,830

14 - ENDOWMENT FUNDS:

The Seminary's endowment consists of approximately 80 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board 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 Uniform Prudent Management of Institutional Funds Act (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 donor restricted endowments (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 donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditures by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Seminary considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Seminary has two quasi-endowment funds that are designated to help Seminary trustee elected faculty and administration. One, to purchase homes through the Seminary's home purchase assistance program, which consists of investments and notes receivable. Quasi-endowment funds may at times contain funds held in a money market cash account held for funding an anticipated HPA loan. As of July 31, 2019, approximately $80,000 was held in the money market cash account. The second quasi-endowment to provide an annual bonus through the Individual Earnings Account program. The board also established a third quasi-endowment known as the land sale quasi endowment, to function as a normal investment fund for the Seminary.

Changes in endowment net assets for the year ended July 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 1, 2018	$ 32,651,326	$ 22,830,945	$ 55,482,271
Investment return:			
Interest and dividend income	414,063	522,773	936,836
Net realized and unrealized gain (loss)	1,042,776	(380,984)	661,792
Total investment gains	1,456,839	141,789	1,598,628
Contributions	130,998	51,230	182,228
Expended endowment assets appropriations, and reclassification	(1,817,684)	(2,755,590)	(4,573,274)
Endowment net assets, July 31, 2019	$ 32,421,479	$ 20,268,374	$ 52,689,853

FUNDS WITH DEFICIENCES

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. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new net assets with donor restrictions in perpetuity.

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 maintaining the original fair market value of the original gift. Endowment assets included those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended S&P 500 index and MSCI AC World Index while assuming a moderate level of investment risk. The Seminary expects its endowment funds, over time, to provide an average rate of return of approximately 8% 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 balanced emphasis on equity-based investments (40%-70%), bond-based investments (20%-30%), and alternatives (less than 40%) to achieve 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 5.0% of its endowment fund's average fair value over the prior 12 quarters through the end of the current fiscal year. In establishing this policy, the Seminary considered the long-term expected return on its endowment. Accordingly, over the long term, the Seminary expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Seminary's expectation to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

15 - LIQUIDITY:

The Seminary's working capital and cash flows have some seasonal variations during the year due to the academic term tuition and fee receipts which are concentrated in August and January. The Seminary has adopted investment and spending policies for the Board designated reserves and endowment assets to provide a predictable stream of funding to support general expenditures. The Seminary is supported by the Cooperative Program of the Southern Baptist Convention with distributions made on a weekly basis to the Seminary. The Cooperative Program receipts account for about one third of the Seminary's annual revenue. In addition, there are regular contributions from churches and individuals through out the year.

The following table reflects the Seminary's financial assets as of July 31, 2019, reduced by funds that are not available for general use within one year because of donor or contractual restrictions or internal designations. Amounts not available include amounts set aside for long-term investments that could be drawn upon with Board approval. The Board has approved a one million reserve fund to be available for seasonal variation typically during the Summer months. Funds that are appropriated for the coming year and become available for general expenditure are added back and are included in the Seminary's financial assets available within one year. This includes amounts expected to be appropriated from endowment funds within one year.

Financial assets:	
Cash and cash equivalents	$ 2,422,434
Accounts receivable - net	79,232
Notes receivable	1,782,500
Investments held for long term purposes	50,974,577
Financial assets, at year end	55,258,743
Less those unavailable for general expenditure within one year due to:	
Restricted by donor with purpose restrictions	(7,418,947)
Endowment funds restricted by donors	(13,677,762)
Board designated - quasi endowment	(31,073,141)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,088,893

16 - RELATED PARTY TRANSACTIONS:

The Seminary has no related party transactions with organizations outside of the denomination. Transactions related to the denomination include certain benefit administration by GuideStone, SBC Cooperative amounts shown in the statements of activities, and beneficial interest in trusts held by other SBC foundations.

17 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 23, 2019, which is the date the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Gateway Seminary of the Southern Baptist Convention
Ontario, California

We have audited the accompanying financial statements of Gateway Seminary of the Southern Baptist Convention, which comprise the statement of financial position as of July 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gateway Seminary of the Southern Baptist Convention as of July 31, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
Gateway Seminary of the Southern Baptist Convention has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the July 31, 2019 financial statements. Our opinion is not modified with respect to this matter.

CapinCrouse LLP
Brea, California
October 23, 2019

AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees
Gateway Seminary of the Southern Baptist Convention
Ontario, California

We have audited the financial statements of Gateway Seminary of the Southern Baptist Convention as of, and for the year ended, July 31, 2019, and our report thereon dated October 23, 2019, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The distribution by states of cooperative program receipts are presented for purposes of additional analysis of the financial statements rather than to present the financial position and results of operations of the individual organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CapinCrouse LLP
Brea, California
October 23, 2019

Distribution by States of Cooperative Program Receipts

Report of Executive Committee Southern Baptist Convention
Year Ended July 31, 2019

Churches	$ 117,242
Alabama	384,037
Alaska	3,563
Arizona	22,799
Arkansas	189,434
California	44,584
Colorado	14,115
Dakota	1,973
District of Columbia	-
Florida	301,250
Georgia	314,388
Hawaii/Pacific	4,826
Illinois	47,594
Indiana	18,039
Iowa	6,978
Kansas-Nebraska	16,569
Kentucky	202,265
Louisiana	140,650
Maryland-Delaware	34,551
Michigan	6,428
Minnesota-Wisconsin	4,791
Mississippi	249,893
Missouri	118,574
Montana	3,979
Nevada	12,679
New England	4,371
New Mexico	16,992
New York	4,919
North Carolina	234,436
Northwest	13,958
Ohio	44,122
Oklahoma	203,586
Pennsylvania-South Jersey	6,989
Puerto Rico/US Virgin Islands	144
South Carolina	222,862
Tennessee	321,746
Texas - BGCT	210,181
Texas - SBTC	307,819
Utah-Idaho	4,363
Virginia - BGAV	15,968
Virginia - SBCV	93,137
West Virginia	11,205
Wyoming	2,217
Total Cooperative Program	3,980,216
Total Designations	11,734
Total Distribution	$ 3,991,950