SOUTHEASTERN BAPTIST THEOLOGICAL SEMINARY, INC.

Consolidated Statements of Financial Position
July 31, 2019 and 2018

Assets	2019	2018
Cash	$ 16,582,174	$ 13,901,449
Accounts and notes receivable, less allowance for doubtful accounts (2019 – $228,933; 2018 – $230,627)	644,427	881,664
Prepaid expenses and other assets	763,114	1,098,004
Investments	29,925,495	28,738,009
Property and equipment, net	35,220,820	35,994,395
Beneficial interests in split-interest agreements	6,049,754	5,865,464
Total assets	$ 89,185,784	$ 86,478,985
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other accrued expenses	$ 1,824,071	$ 1,484,271
Student deposits	685,827	726,547
Deferred revenue	1,087,036	1,401,111
Postretirement benefit liability	9,388,025	9,768,820
Bonds payable, net of unamortized debt issuance costs	3,883,947	4,490,643
Total liabilities	16,868,906	17,871,392
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	34,268,888	33,530,758
Net assets with donor restrictions	38,047,990	35,076,835
Total net assets	72,316,878	68,607,593
Total liabilities and net assets	$ 89,185,784	$ 86,478,985

See notes to consolidated financial statements

Consolidated Statements of Activities
Years Ended July 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Gross tuition and fees	$ 16,031,323	$ -	$ 16,031,323
Less institutional grants	2,211,893	-	2,211,893
	13,819,430	-	13,819,430
Sales and services of auxiliary enterprises	5,293,181	-	5,293,181
SBC Cooperative Program	7,707,673	-	7,707,673
Private gifts and bequests	958,168	2,102,828	3,060,996
Investment return designated for current operations	251,245	1,081,108	1,332,353
Distributions received from beneficial interests in split-interest agreements	-	85,140	85,140
Other income	428,984	57,229	486,213
Net assets released from program restrictions	2,718,340	(2,718,340)	-
Total revenues, gains and other support	31,177,021	607,965	31,784,986
Expenses:			
Educational and general:			
Instruction	12,786,011	-	12,786,011
Administrative and general	9,645,369	-	9,645,369
Operation and maintenance of plant	3,106,042	-	3,106,042
Total educational and general	25,537,422	-	25,537,422
Auxiliary enterprises	5,653,148	-	5,653,148
Total expenses	31,190,570	-	31,190,570
Change in net assets from operations	(13,549)	607,965	594,416

	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total
Other changes:			
Private gifts and bequests	-	1,425,435	1,425,435
Investment return in excess of (less than) amounts designated for current operations	(130,717)	810,867	680,150
Gifts of beneficial interests in split-interest agreements	-	450	450
Change in value of beneficial interests in split-interest agreements	-	184,290	184,290
Net assets released from restrictions	57,852	(57,852)	-
Changes in postretirement benefit liability other than net periodic postretirement benefit costs	824,544	-	824,544
Change in net assets	738,130	2,971,155	3,709,285
Net assets:			
Beginning	33,530,758	35,076,835	68,607,593
Ending	$ 34,268,888	$ 38,047,990	$ 72,316,878

	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total
Revenues, gains and other support:			
Gross tuition and fees	$ 14,929,162	$ -	$ 14,309,502
Less institutional grants	2,871,892	-	2,871,892
	12,057,270	-	12,057,270
Sales and services of auxiliary enterprises	5,094,273	-	5,094,273
SBC Cooperative Program	7,962,862	-	7,962,862
Private gifts and bequests	1,305,663	2,567,847	3,873,510
Investment return designated for current operations	233,039	1,048,282	1,281,321
Distributions received from beneficial interests in split-interest agreements	-	120,894	120,894
Other income	367,731	21,987	389,718
Net assets released from program restrictions	3,402,865	(3,402,865)	-
Total revenues, gains and other support	30,423,703	356,145	30,779,848
Expenses:			
Educational and general:			
Instruction	12,371,040	-	12,371,040
Administrative and general	9,304,638	-	9,304,638
Operation and maintenance of plant	3,108,816	-	3,108,816
Total educational and general	24,694,494	-	24,694,494
Auxiliary enterprises	5,568,850	-	5,568,850
Total expenses	30,263,344	-	30,263,344
Change in net assets from operations	160,359	356,145	516,504
Other changes:			
Private gifts and bequests	-	603,996	603,996
Investment return in excess of (less than) amounts designated for current operations	89,288	516,604	605,892
Gifts of beneficial interests in split-interest agreements	-	-	-
Change in value of beneficial interests in split-interest agreements	-	(136,307)	(136,307)
Net assets released from restrictions	183,179	(183,179)	-
Changes in postretirement benefit liability other than net periodic postretirement benefit costs	1,233,091	-	1,233,091
Change in net assets	1,665,917	1,157,259	2,823,176
Net assets:			
Beginning	31,864,841	33,919,576	65,784,417
Ending	$ 33,530,758	$ 35,076,835	$ 68,607,593

See notes to consolidated financial statements

Consolidated Statements of Cash Flows
Years Ended July 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 3,709,285	$ 2,823,176
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	1,935,229	1,897,490
Change in value of beneficial interests in split-interest agreements	(183,840)	136,307
Gift of beneficial interests in split-interest agreements	(450)	-
Bad debt expense	106,448	31,423
Realized and unrealized gains on investments	(1,411,437)	(1,015,160)
Contributions restricted for long-term purposes	(668,367)	(248,383)
Contributions restricted for property and equipment	(740,107)	(355,613)
(Increase) decrease in:		
Accounts and notes receivable	130,789	(242,775)
Prepaid expenses and other assets	334,890	(138,488)
Increase (decrease) in:		
Accounts payable and other accrued expenses	339,800	267,507
Student deposits	(40,720)	9,550
Deferred revenue	(314,075)	430,710
Postretirement benefit liability	(380,795)	(786,808)
Net cash provided by operating activities	2,816,650	2,808,936
Cash flows from investing activities:		
Proceeds from sale of investments	9,415,664	32,796,476
Purchase of investments	(9,191,713)	(32,428,787)
Purchases of property and equipment	(1,152,350)	(1,451,207)
Net cash used in investing activities	(928,399)	(1,083,518)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Long-term purposes	$ 668,367	$ 248,383
Property and equipment	740,107	355,613
Other financing activities:		
Payments on bonds payable	(616,000)	(594,336)
Net cash provided by financing activities	792,474	9,660
Net change in cash	2,680,725	1,735,078
Cash:		
Beginning	13,901,449	12,166,371
Ending	$ 16,582,174	$ 13,901,449
Supplemental disclosures of cash flow information:		
Cash payments for interest and bond fees	$ 140,989	$ 125,451

See notes to consolidated financial statements

Consolidated Statement of Functional Expenses
Year Ended July 31, 2019

	Program Activities	Supporting Services				
	Instruction	Administrative and General	Operation and Maintenance of Plant	Auxiliary Enterprises	Total Supporting Services	Total
Academic salaries	$ 5,428,851	$ 31,013	$ -	$ -	$ 31,013	$ 5,459,864
Staff salaries	3,743,840	4,490,172	1,388,448	730,845	6,609,465	10,353,305
Benefits	1,868,265	1,608,802	415,483	184,381	2,208,666	4,076,931
Utilities, alterations and repairs	56,046	163,500	928,709	1,013,695	2,105,904	2,161,950
Insurance	-	590,263	-	-	590,263	590,263
Employee development and travel	200,176	634,110	227	2,859	637,196	837,372
Supplies and services	1,043,608	1,959,864	291,145	2,348,901	4,599,910	5,643,518
Depreciation	445,225	167,645	62,991	1,250,064	1,480,700	1,925,925
Interest	-	-	19,039	122,403	141,442	141,442
Total	$12,786,011	$ 9,645,369	$ 3,106,042	$ 5,653,148	$ 18,404,559	$31,190,570

See notes to consolidated financial statements

Consolidated Statement of Functional Expenses
Year Ended July 31, 2018

	Program Activities	Supporting Services				
	Instruction	Administrative and General	Operation and Maintenance of Plant	Auxiliary Enterprises	Total Supporting Services	Total
Academic salaries	$ 5,268,555	$ 25,508	$ -	$ -	$ 25,508	$ 5,294,063
Staff salaries	3,809,278	4,311,292	1,449,240	727,581	6,488,113	10,297,391
Benefits	1,411,846	1,368,891	283,098	139,696	1,791,685	3,203,531
Utilities, alterations and repairs	48,559	240,186	901,172	937,268	2,078,626	2,127,185
Insurance	-	571,275	-	-	571,275	571,275
Employee development and travel	229,221	601,652	381	3,475	605,508	834,729
Supplies and services	1,221,216	1,967,346	305,772	2,423,126	4,696,244	5,917,460
Depreciation	382,365	218,488	61,757	1,225,576	1,505,821	1,888,186
Interest	-	-	17,396	112,128	129,524	129,524
Total	$12,371,040	$ 9,304,638	$ 3,018,816	$ 5,568,850	$ 17,892,304	$30,263,344

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of organization: Southeastern Baptist Theological Seminary, Inc. and Subsidiary (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 is an institution of higher learning established and supported through the Cooperative Program by the Southern Baptist Convention (SBC). It is governed by the Board of Trustees who are elected by the SBC.

A summary of the Seminary's significant accounting policies follows:

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 either fiscal year and carries no assets or liabilities at July 31, 2019 and 2018. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation: In preparing its consolidated financial statements, the Seminary's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Seminary and changes therein are classified and reported as follows:

Net assets with donor restrictions: Net assets that carry donor stipulated restrictions regarding use or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term (i.e., endowed funds), with such endowment fund balances being made available for expenditure through spending rate policies adopted by the Seminary. See Note 13 for further information on the Seminary's endowments.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties, such as governmental grant agreements. Expenses are reported as decreases to net assets without donor restrictions.

Use of estimates: The preparation of financial statements 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 financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Actual results could differ from those estimates.

Cash: The Seminary maintains deposits with certain financial institutions in amounts that are at times in excess of federal insurance limits. Cash designated or restricted for long-term purposes is included with investments.

Accounts and notes receivable: 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. Notes receivable are carried at the original note amount, plus any accrued interest, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines these allowances for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Student accounts receivable and notes receivable are written off when deemed uncollectible. Recoveries of student accounts receivable and notes 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. A note receivable is considered past due if the note balance and unpaid interest is outstanding past the note maturity date.

Valuation of investments: Investments are reported at fair value based upon measurements described in Note 6 determined at the financial statement date. Donated investments are initially recorded at fair value at the date of gift. Unless specifically directed by the donor, endowment contributions received by the Seminary are pooled and investments are then purchased with the funds available. In the case of certain less marketable investments, fair value is established by using the net asset value (NAV) of each investment fund as provided by the investment fund manager.

Debt issuance costs: Costs incurred in issuing outstanding bonds payable are deferred and amortized to income over the term of the bonds using a method that approximates the effective interest method. Unamortized debt issuance costs are presented as a deduction to the bonds payable on the consolidated statements of financial position.

Long-lived assets: Cash or other assets whose purpose is to acquire long-lived assets are recorded as net assets without donor restrictions if the Seminary has internally designated such assets or as net assets with donor restrictions if such assets represent gifts received with donor-imposed restrictions. Once acquired and placed into service, all long-lived assets, primarily property and equipment, are considered net assets without donor restrictions.

Property and equipment: Property and equipment is stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Land improvements	40-50
Buildings	40 (plus actual life prior to 1993)
Equipment	5-10

Property and equipment is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Seminary evaluates, on an ongoing basis, the carrying value of property and equipment based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair value.

Postretirement benefits: The Seminary provides certain postretirement benefits, including healthcare benefits, for all retired employees that meet certain eligibility requirements. The Seminary follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 715 to account for the costs of those benefits. Under that Topic, the Seminary recognizes the overfunded or underfunded status of defined benefit postretirement plans as an asset or liability, respectively, in the consolidated statements of financial position.

Tuition and fees: Tuition and fees revenue is reported in the fiscal year in which educational programs are primarily conducted. Scholarships and fellowships awarded to students for tuition, fees and room and board are based upon need and merit.

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

Operating and non-operating activities: The consolidated statements of activities report the change in net assets from operating and non-operating activities. Operating activities consist of all the activities of the Seminary except for certain items specifically considered to be non-operating activities. Non-operating activities include donor-restricted endowed private gifts and bequests; gifts restricted for the acquisition of capital assets; investment income on donor-restricted funds not available to support current operations; change in value of split-interest agreements; releases of donor-restricted funds for capital acquisitions placed into service; and significant items of an unusual or non-recurring nature.

Functional allocation of expenses: Expenses are primarily reported in the consolidated statements of activities in categories recommended by the National Association of College and University Business Officers. The Seminary's primary program service is instruction. Expenses reported as administrative and general, operation and maintenance of plant and auxiliary enterprises are incurred in support of the primary program service.

The consolidated statement of functional expenses reports certain natural expense classifications that are attributable to one or more functional expense categories. Depreciation of property and equipment, interest expense and maintenance and certain other expenses are allocated to program and supporting activities based on periodic inventories of facilities. Costs of certain other expenses were allocated based on estimates of time and effort.

Fundraising expenses: Fundraising expenses totaled approximately $740,000 and $550,000 for the years ended July 31, 2019 and 2018, respectively.

Contributions and beneficial interests: Contributions and beneficial interests received, including those from the SBC Cooperative Program, are recognized as revenues at their fair values when they become unconditional. Contributions of cash and other assets are recorded as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions are reported as net assets without donor restrictions when the donor-imposed restrictions are satisfied in the same reporting period as the receipt of the contribution. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Gifts of land, buildings and equipment are reported as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used or disposed. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Seminary reports expirations of donor restrictions as net assets without donor restrictions when the donated assets are received or when acquired or constructed assets, funded by donor contributions, are placed into service.

Income taxes: The Seminary is exempt from federal and state income taxes. The federal exemption is under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Management evaluated the Seminary's tax positions and concluded that the Seminary had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of the Income Taxes Topic of the FASB ASC.

Reclassifications: In certain instances, amounts reported previously in the 2018 financial statements have been reclassed to conform to the 2019 presentation. Such reclassifications had no effect on the net assets or change in net assets as previously reported.

Subsequent events: The Seminary has evaluated its subsequent events (events occurring after July 31, 2019) through November 7, 2019, which represents the date the consolidated financial statements were available to be issued.

Recent accounting pronouncements: In March 2017, the FASB issued Accounting Standards update (ASU) 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The new guidance improves the presentation of net periodic pension cost and net periodic postretirement benefit cost. The guidance will require an employer to report the service cost component of net benefit cost in the same line item as other compensation costs arising from services rendered, present the other components of net benefit cost in the statement of activities separately from the service cost component and outside a subtotal of income from operations and allow only the service cost component to be eligible for capitalization when applicable. The guidance in this update will be effective for the Seminary's 2020 fiscal year. Management has not yet evaluated the impact of this update on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for Profit Entities*. The guidance in this ASU requires a change in the presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources, and the changes in those resources, to donors, grantors, creditors and other users. These changes include qualitative and quantitative requirements in the areas of net asset classes, investment return, expenses, liquidity and availability of resources and presentation of operating cash flows. The Seminary adopted this standard in fiscal 2019 and retrospectively applied the presentation to the 2018 financial statements. The impact of adoption of this standard on the previously presented 2018 financial statements was an increase in net assets without donor restrictions and a decrease in net assets with donor restrictions, beginning of period, of $85,777 and a decrease in change in net assets without donor restrictions and an increase in change in net assets with donor restrictions of $7,098 for fiscal 2018. In addition to changes in terminology used to describe net asset categories throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources, see Note 2, and a statement of functional expenses, which shows how natural expense categories fit into functional expense categories, along with additional disclosures regarding any natural expenses which must be allocated into functional expense categories.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The guidance in this update will be effective for the Seminary's 2021 fiscal year. Management has not yet evaluated the impact of this update on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The amendments in this update create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update, as amended by subsequently issued ASUs, will be effective for the Seminary's 2020 fiscal year with early adoption permitted with certain restrictions. Management has not evaluated the impact of this update on the consolidated financial statements.

Note 2 - Liquidity and Availability of Financial Assets

The following table reflects the Seminary's financial assets as of July 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The approved appropriated amount from endowment funds for the following year is considered to be available for expenditure. Board designated amounts could be drawn upon board action.

Financial assets:	2019	2018
Cash	$ 16,582,174	$ 13,901,449
Accounts and notes receivable, net	644,427	881,664
Investments	29,925,495	28,738,009
Beneficial interests in split-interest agreements	6,049,754	5,865,464
Financial assets, at year-end	53,201,850	49,386,586
Less those unavailable for general expenditure within one year, due to:		
Beneficial interests in split-interest agreements	(6,049,754)	(5,865,464)
Perpetual and term endowments and accumulated earnings*	(22,651,844)	(22,585,645)
Board designated endowments*	(5,134,747)	(5,246,375)
Financial assets available to meet cash needs for general expenditures within one year	$ 19,365,505	$ 15,689,102

* Excludes amounts that have been appropriated for the upcoming fiscal year.

The Seminary has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To achieve this, the Seminary monitors its liquidity on a monthly basis. As discussed in Note 9, the Seminary has a $1,500,000 line of credit available to meet immediate liquidity needs, with no amounts drawn on the line as of July 31, 2019 or 2018.

Note 3 - Investments

Investments at July 31, 2019 and 2018, consist of the following:

	2019	2018
Short-term cash investments	$ 4,522,125	$ 7,130,103
Privately held common stock	1,853,800	659,000
Equities	5,748,281	4,880,715
Mutual funds and exchange-traded funds	10,821,423	11,868,191
Alternative investments	6,979,866	4,200,000
	$ 29,925,495	$ 28,738,009

The Seminary invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, any significant changes in risks in the near term could materially affect the Seminary's investment balance reported in the consolidated statements of financial position.

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended July 31, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest, net of expenses	$ 80,512	$ 520,554	$ 601,066
Net realized and unrealized gains	40,016	1,371,421	1,411,437
Total return on investments	120,528	1,891,975	2,012,503
Investment return designated for current operations	251,245	1,081,108	1,332,353
Investment return in excess of (less than) amounts designated for current operations	$ (130,717)	$ 810,867	$ 680,150

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest, net of expenses	$ 131,836	$ 740,217	$ 872,053
Net realized and unrealized gains	190,491	824,669	1,015,160
Total return on investments	322,327	1,564,886	1,887,213
Investment return designated for current operations	233,039	1,048,282	1,281,321
Investment return in excess of amounts designated for current operations	$ 89,288	$ 516,604	$ 605,892

The total investment return designated for current operations is the draw that the Seminary takes from its endowment in accordance with its approved endowment spending policy as disclosed in Note 13.

Investment expenses for the years ended July 31, 2019 and 2018, were $168,651 and $197,822, respectively.

Note 4 - Property and Equipment

Property and equipment at July 31, 2019 and 2018, consisted of the following:

	2019	2018
Land	$ 1,674,247	$ 1,674,247
Land improvements	2,279,418	2,279,418
Buildings	53,649,926	53,131,962
Equipment	11,697,780	11,697,507
Construction in progress	421,216	138,518
	69,722,587	68,921,652
Less accumulated depreciation	34,501,767	32,927,257
	$ 35,220,820	$ 35,994,395

Depreciation expense of property and equipment amounted to $1,925,925 and $1,888,186 for the years ended July 31, 2019 and 2018, respectively.

Note 5 - Beneficial Interests in Split-Interest Agreements

The North Carolina Baptist Foundation administers certain deferred trust assets held for the benefit of the Seminary. These trust assets are restricted to provide that all trust income accrues to the donor for life after which all earnings have been designated to benefit the Seminary. Such assets are not recorded on the Seminary's books because either the trust is revocable or the donor maintains the right to change beneficiaries. The North Carolina Baptist Foundation and several others also administer certain perpetual trusts for the benefit of the Seminary and distribute the earnings from such trusts annually to the Seminary. The assets in these perpetual trusts are recorded by the Seminary as beneficial interests in split-interest agreements.

Note 6 - Fair Value Measurements

ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value hierarchy is as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, discount values, volatilities, prepayment spreads, credit risks, etc.) or inputs that are derived principally from or corroborated by market data correlation or other means.

Level 3: Unobservable inputs for determining the fair values of assets or liabilities that would reflect an entity's own determination about the assumptions that market participants would use in pricing the assets or liabilities.

In determining fair value, the Seminary uses various valuation approaches within the ASC 820 fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy:

Investments

Short-term cash investments: Cash equivalents and money market funds traded in active markets are classified within Level 1 of the valuation hierarchy. Cash equivalents and money market funds traded in inactive markets are classified within Level 2 of the valuation hierarchy.

Equities and mutual funds: Equity securities and mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy. The Seminary also holds shares of stock in a privately held company which are valued by comparing Earnings Before Interest, Taxes, Depreciation and Amortization multiples and actual transactions of the stock. These shares are classified within Level 3 of the valuation hierarchy.

Exchange-traded funds: Investments in exchange-traded funds are investment funds that hold assets, such as stocks, commodities and bonds, that are traded on stock exchanges. These funds are valued at the same price as the underlying assets. Such securities are classified within Level 1 of the valuation hierarchy.

Beneficial interests in split-interest agreements: The Seminary has been named as a beneficiary in split-interest agreements for which the Seminary is not the trustee. The fair value was determined primarily based on the fair value of the assets held in trusts as provided by the trustees. Under the guidelines set forth in the FASB ASC 820 fair value hierarchy, the trust assets are classified as Level 3 inputs.

The following tables summarize financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of July 31, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Short-term cash investments	$ 4,471,811	$ 50,314	$ -	$ 4,522,125
Privately held common stock	-	-	1,853,800	1,853,800
Equities:				
U.S. mid cap	3,312,660	-	-	3,312,660
U.S. small cap	2,435,621	-	-	2,435,621
Total equities	5,748,281	-	-	5,748,281
Mutual funds and exchange-traded funds:				
Domestic bond funds	4,055,809	-	-	4,055,809
International stock funds	5,341,610	-	-	5,341,610
Domestic stock funds	1,424,004	-	-	1,424,004
Total mutual funds and exchange-traded funds	10,821,423	-	-	10,821,423

	2019			
	Level 1	Level 2	Level 3	Total
Alternative investments*				6,979,866
Total investments	21,041,515	50,314	1,853,800	29,925,495
Beneficial interests in split-interest agreements	-	-	6,049,754	6,049,754
Total financial assets	$ 21,041,515	$ 50,314	$ 7,903,554	$ 35,975,249

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

	2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Short-term cash investments	$ 7,058,946	$ 71,157	$ -	$ 7,130,103
Privately held common stock	-	-	659,000	659,000
Equities:				
U.S. mid cap	1,988,891	-	-	1,988,891
U.S. small cap	893,659	-	-	893,659
Developed markets	1,998,165	-	-	1,998,165
Total equities	4,880,715	-	-	4,880,715
Mutual funds and exchange-traded funds:				
Domestic bond funds	3,904,329	-	-	3,904,329
International stock funds	5,325,497	-	-	5,325,497
Domestic stock funds	2,638,365	-	-	2,638,365
Total mutual funds and exchange-traded funds	11,868,191	-	-	11,868,191
Alternative investments*				4,200,000
Total investments	23,807,852	71,157	659,000	28,738,009
Beneficial interests in split-interest agreements	-	-	5,865,464	5,865,464
Total financial assets	$ 23,807,852	$ 71,157	$ 6,524,464	$ 34,603,473

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following table reconciles the beginning and ending balances of financial assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended July 31, 2019 and 2018:

	Privately Held Common Stock	Beneficial in Split-Interest Agreements
Ending balance, July 31, 2017	$ 659,000	$ 6,001,771
Distributions from split-interest agreements	-	(120,894)
Change in value before distributions	-	(15,413)
Ending balance, July 31, 2018	659,000	5,865,464
Distributions from split-interest agreements	-	(85,140)
Gifts of beneficial interest in split-interest agreements	-	450
Change in value before distributions	1,194,800	268,980
Ending balance, July 31, 2019	$ 1,853,800	$ 6,049,754

Any unrealized gains (losses) on the privately held common stock are included in the investment return in excess of (less than) amounts designated for current operations.

The following table sets forth a summary of the Seminary's investments with a reported NAV or equivalent:

Investment	July 31, 2019	July 31, 2018	July 31, 2019 Unfunded Commitment	Redemption Frequency and Notice Period	Other Redemption Restrictions
Alternative investments:					
Undiscovered Value Fund, Ltd. (a)	$ 4,404,525	$ 4,200,000	$ -	Not predetermined, 30-day notice is required	12-month lock-up period
Courage-Credit Opps IV, L.P. (b)	579,082	-	2,400,000	N/A	Distributions made as underlying investments mature
Private Advisors - Real Assets Fund II. (c)	1,996,259	-	2,178,198	N/A	Distributions made as underlying investments mature
Total	$ 6,979,866	$ 4,200,000	$ 4,578,198		

(a) Seeks long-term capital appreciation while investing in various stocks, corporate bonds, convertible bonds, warrants and other equity-based securities.

(b) Seeks to achieve investment returns by investing in stressed and distressed investments in troubled companies.

(c) Seeks to achieve investment returns by investing in private equity funds focused on natural resources excluding real estate.

Note 7 - Retirement Plan

Permanent employees of the Seminary who normally work at least half time are participants in a defined contribution plan, which 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%. 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, 2019 and 2018, was $1,054,447 and $999,137, respectively.

During 2013, the Seminary established a nonqualified deferred compensation plan for the benefit of the President of the Seminary. The primary purpose of the plan is to provide additional compensation to the President upon termination of employment with the Seminary. The Seminary does not match employee contributions to the plan and has recorded no asset or liability on the consolidated statements of financial position. Contributions to the plan are held by a third-party trustee, Guidestone Financial Resources.

Note 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.

Net periodic postretirement benefit costs recognized as expenses included the following components for the years ended July 31, 2019 and 2018:

	2019	2018
Service cost-benefits attributable to service during the year	$ 360,271	$ 384,740
Interest on accumulated postretirement benefit obligation	321,259	410,683
	$ 681,530	$ 795,423

The accumulated postretirement benefit obligation recognized on the accompanying consolidated statements of financial position includes the following components and activity as of and for the years ended July 31, 2019 and 2018:

	2019	2018
Benefit obligation at beginning of year	$ 9,768,820	$ 10,555,628
Service cost-benefits attributable to service during the year	360,271	384,740
Interest on accumulated postretirement benefit obligation	321,259	410,683
Benefits paid by the Seminary	(351,674)	(335,106)
Actuarial loss (gain)	1,004,039	(46,682)
Effect of change in economic assumptions	(1,413,669)	(84,108)
Effect of change in discount rate assumption	(97,094)	(703,743)
Effect of change in mortality, withdrawal and trend assumptions	(203,927)	(412,592)
Benefit obligation at end of year	$ 9,388,025	$ 9,768,820

Accumulated postretirement benefit obligation included the following component that has not yet been recognized as a component of net periodic postretirement benefit costs at July 31, 2019 and 2018, but which has been reflected as a reduction to net assets without donor restrictions, apart from expenses, on the accompanying consolidated statements of activities for the years ended July 31, 2019 and 2018:

	2019	2018
Net experience (gains)	$ (885,156)	$ (60,612)

None of the net experience gains included in accumulated postretirement benefit obligation at July 31, 2019, that have not yet been recognized as components of net periodic postretirement benefit costs, are expected to be recognized as components of periodic postretirement benefit costs in 2020.

For measurement purposes, a 7.50% weighted average annual rate of increase in per capita medical and prescription drug costs of covered benefits was assumed for 2019 with such annual rate of increase gradually declining to 5.25% by 2027. If assumed healthcare cost trend rates were increased by one percentage point in each year, the accumulated postretirement benefit obligation at July 31, 2019 and 2018, would be increased by approximately $1,217,000 (12.97%) and $1,395,000 (14.28%), respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit costs for the years ended July 31, 2019 and 2018, would be increased by approximately $152,000 (22.31%) and $141,000 (17.73%), respectively.

If assumed healthcare cost trend rates were decreased by one percentage point in each year, the accumulated postretirement benefit obligation at July 31, 2019 and 2018, would be decreased by approximately $986,000 (10.51%) and $1,120,000 (11.46%), respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit costs for the years ended July 31, 2019 and 2018, would be decreased by approximately $118,000 (17.31%) and $111,000 (13.91%), respectively.

The weighted average discount rate used in estimating the benefit obligation and net periodic benefit cost at July 31, 2019 and 2018, was 3.38% and 4.14%, respectively.

The benefits expected to be paid by the Seminary in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows:

Years ending July 31,	Amount
2020	$ 491,249
2021	480,687
2022	504,344
2023	496,259
2024	494,919
2024-2029	2,661,982

Note 9 - Line of Credit

At July 31, 2019 and 2018, 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 London Interbank Offered Rate (LIBOR), plus 1.85%, not to decrease below a minimum rate of 3% and require monthly interest payments. There were no outstanding borrowings under the line of credit agreement during the years ended July 31, 2019 and 2018. The outstanding balance and all accrued but unpaid interest will be due on February 12, 2020. The loan agreement associated with the line of credit contains various covenants, including the requirement to maintain minimum tangible net worth of $40,000,000, total net assets without donor restrictions of $25,000,000 and minimum liquidity of $4,500,000.

Note 10 - Bonds Payable and Bank Held Term Loan

Bonds payable at July 31, 2019 and 2018, consisted of the following:

	2019	2018
Principal balance, bonds payable	$ 3,938,992	$ 4,554,992
Less unamortized debt issuance costs	55,045	64,349
Bonds payable, net of unamortized debt issuance costs	$ 3,883,947	$ 4,490,643

On July 2, 2013, the Seminary entered into a Bond Purchase and Loan Agreement, whereby the Public Finance Authority (the Public Authority) issued on behalf of the Seminary a $7,500,000 aggregate principal amount of the Public Authority's Educational Facilities Revenue Refunding Bond, Series 2013 (the 2013 Bonds). The 2013 Bonds were then purchased from the Public Authority by the same bank which provides the line of credit, with the proceeds loaned to the Seminary by the Public Authority through a promissory note, which was assigned to the bank without recourse. In connection with these transactions, the Seminary entered into a guarantee agreement with the bank to guarantee payment of all obligations from the 2013 Bonds. The 2013 Bonds are subject to optional redemption, in whole or part, in the event the Seminary elects to prepay the term loan. Prepayment is allowed provided advance notice is provided by the Seminary. The 2013 Bonds are also subject to mandatory redemption within 45 days of the occurrence of any event, which has the effect of causing interest paid or payable on the 2013 Bonds to become taxable. The proceeds from the term loan were designated to be used to refinance previously outstanding debt, to pay certain issuance costs and to finance the acquisition and installation of a new energy-efficient boiler system. The boiler project was completed as of July 2015 and the remaining funds were released for unrestricted expenses. The Seminary also terminated the letter of credit, which collateralized the Bonds in connection with the refinancing.

Interest on the term loan accrues at a variable rate equal to the sum of 70% of the one-month LIBOR (2.22% at July 31, 2019), plus 1.25%, with monthly principal and interest payments beginning August 1, 2013. The loan matures on March 1, 2025. The term loan contains certain restrictive covenants, including a minimum liquidity and net assets without donor restrictions requirement, as well as a debt service coverage ratio requirement and certain reporting requirements. The loan is collateralized by a deed of trust to real property and assigned rents and leases of assigned property.

Total interest expense for the years ended July 31, 2019 and 2018, were $141,442 and $129,524, respectively.

Future required principal payments anticipated by the Seminary on the term loan are as follows:

Years ending July 31,	Amount
2020	$ 637,332
2021	661,332
2022	687,004
2023	710,000
2024	737,996
Thereafter	505,328
	$ 3,938,992

During 2013, the Seminary capitalized $111,641 of debt issuance costs related to the issuance of the 2013 Bonds. Amortization expense recognized during 2019 and 2018 totaled approximately $9,000 in each year. Expected amortization is approximately $9,000 over each of the next six years.

Note 11 - Net Assets

Net assets without donor restrictions and with donor restrictions consist of the following as of July 31, 2019 and 2018:

	2019	2018
Net assets without donor restrictions:		
Undesignated	$ (2,464,676)	$ (3,470,614)
Board designated endowment	5,396,691	5,497,620
Net investment in property, plant and equipment	31,336,873	31,503,752
Total net assets without donor restrictions	34,268,888	33,530,758
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Scholarships	5,424,335	4,218,047
Project renovations	2,209,652	1,321,419
Faculty	1,385,770	1,583,680
Institutional support	1,010,512	1,141,089
Lectures and awards	375,285	250,928
Library	92,934	120,254
Other	1,011,279	772,024
Accumulated gains	(3,255,996)	(3,812,128)
	8,253,771	5,595,313
Subject to spending policy and appropriation:		
Accumulated gains	3,255,996	3,812,128
Endowment funds restricted in perpetuity	20,522,992	19,854,625
	23,778,988	23,666,753
Subject to restriction in perpetuity:		
Beneficial interests in split-interest agreements	6,015,231	5,814,769
Total net assets with donor restrictions	38,047,990	35,076,835
Total net assets	$ 72,316,878	$ 68,607,593

Note 12 - Net Assets Released From Donor Restrictions

Net assets during the years ended July 31, 2019 and 2018, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

	2019	2018
Purpose restrictions accomplished:		
Scholarships	$ 1,479,237	$ 1,934,882
Faculty	524,297	570,053
Institutional support	557,978	497,818
Project renovations	57,852	183,179
Library	15,854	15,509
Lectures and awards	18,718	39,902
Other	122,256	344,701
	$ 2,776,192	$ 3,586,044

Note 13 - Endowment Funds

The Seminary's endowment funds consist of over 300 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America (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. Funds functioning as endowments are Seminary resources designated as endowments by the Board of Trustees and are invested in the endowment for long-term appreciation and current income. Such assets, however, remain available and may be spent at the Board of Trustee's discretion unless donor-imposed restrictions exist on their use. Funds functioning as endowments are recorded in net assets without donor restrictions, unless donor restrictions exist in which case they are recorded in net assets with donor restrictions.

The Seminary follows the provisions of FASB ASC 958-205-50 (formerly FASB Staff Position 117-1, Net Asset Classification of Funds) subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (NCUPMIFA), and Enhanced Disclosures for all Endowment Funds. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Seminary considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor of the gift instrument. In accordance with NCUPMIFA, the Seminary considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Seminary's Board of Trustees has a standing Audit and Investment Committee comprised of six trustees. The Committee is charged with the oversight of the Seminary's investments and operates under a Board-approved Investment Policy Statement. The Statement defines the parameters within which investments may be made. The overall investment objective, as defined in the document, is to preserve, over time, the principal value of the assets as measured in real, inflation adjusted terms. The absolute goal is an annual real rate of return of 8%. Asset allocation ranges, benchmark indices, risk tolerances and rebalancing procedures are specified within the Investment Policy Statement.

The Board's current endowment spending policy is to distribute an amount equal to 5% of a rolling three-year average of the endowment investments. 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.

The Seminary's Board of Trustees authorizes endowment expenditures at the time it approves the annual fiscal year's operating budget based upon the endowment earnings available at that time, consistent with the Seminary's endowment spending policy. The actual expenditure of these appropriations occurs at various times during the fiscal year for which they are appropriated. From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level that the donor or NCUPMIFA requires the Seminary to retain as a fund of perpetual duration. As of July 31, 2019, deficiencies of this nature exist in 18 donor-restricted endowment funds, which together have an original gift value of $1,029,975, a current fair value of $936,428, and a deficiency of $93,547. As of July 31, 2018, deficiencies of this nature exist in 13 donor-restricted endowment funds, which together have an original gift value of $560,301, a current fair value of $481,622, and a deficiency of $78,679. These deficiencies are generally due to unfavorable market fluctuations that occurred within the Seminary's investment portfolio. During the years ended July 31, 2019 and 2018, appropriations of $39,638 and $17,223, respectively, were made on funds with deficiencies.

The following table summarizes changes in endowment net assets for the years ended July 31, 2019 and 2018:

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift Amount	Accumulated Earnings and Other	Total with Donor Restrictions	Total
Endowment net assets, July 31, 2017	$ 5,414,045	$ 19,606,242	$ 3,464,349	$ 23,070,591	$ 28,484,636
Contributions	-	248,383	-	248,383	248,383
Interest, other investment income, net of expenses, realized and unrealized gains and other gains	316,614	-	1,396,061	1,396,061	1,712,675
Appropriations of endowment assets for expenditure	(233,039)	-	(1,048,282)	(1,048,282)	(1,281,321)

	Without Donor Restrictions	With Donor Restrictions: Original Gift Amount	Accumulated Earnings and Other	Total with Donor Restrictions	Total
Endowment net assets, July 31, 2018	5,497,620	19,854,625	3,812,128	23,666,753	29,164,373
Contributions	-	668,367	-	668,367	668,367
Interest, other investment income, net of expenses, realized and unrealized gains and other gains	150,316	-	524,976	524,976	675,292
Appropriations of endowment assets for expenditure	(251,245)	-	(1,081,108)	(1,081,108)	(1,332,353)
Endowment net assets, July 31, 2019	$ 5,396,691	$ 20,522,992	$ 3,255,996	$ 23,778,988	$ 29,175,679

The following tables summarize the composition of endowment net assets by fund type as of July 31, 2019 and 2018:

2019	Without Donor Restrictions	With Donor Restrictions: Original Gift Amount	Accumulated Earnings and Other	Total with Donor Restrictions	Total
Donor-restricted endowment funds:	$ -	$ 20,522,992	$ 3,255,996	$ 23,778,988	$ 23,778,988
Board-designated endowment funds	5,396,691	-	-	-	5,396,691
Total endowment net assets	$ 5,396,691	$ 20,522,992	$ 3,255,996	$ 23,778,988	$ 29,175,679

2018	Without Donor Restrictions	With Donor Restrictions: Original Gift Amount	Accumulated Earnings and Other	Total with Donor Restrictions	Total
Donor-restricted endowment funds:	$ -	$ 19,854,625	$ 3,812,128	$ 23,666,753	$ 23,666,753
Board-designated endowment funds	5,497,620	-	-	-	5,497,620
Total endowment net assets	$ 5,497,620	$ 19,854,625	$ 3,812,128	$ 23,666,753	$ 29,164,373

Note 14 - Lease Commitments

The Seminary has various operating leases primarily for student housing that expire in 2030. Total rental expense under cancelable and noncancelable operating leases was $1,709,243 in each of 2019 and 2018.

At July 31, 2019, the future minimum lease payments under non-cancelable operating leases were as follows:

Years ending July 31,	Amount
2020	$ 1,670,054
2021	1,670,054
2022	1,670,054
2023	1,670,054
2024	1,670,054
Thereafter	10,329,814
	$ 18,680,084

Note 15 - Contingencies

In accordance with the Asset Retirement and Environmental Obligations Topic of the FASB ASC (ASC 410 20), the Seminary has identified several facilities that have conditional asset retirement obligations related to asbestos abatement. The Seminary has not recorded a liability for certain of these conditional asset retirement obligations due to the Seminary being unable to reasonably estimate the fair value of the liability. For those obligations for which no liability has been recorded, the fair value of such a liability could not be reasonably estimated as the Seminary has no specified plans that would require abatement of the asbestos and, therefore, settlement dates for these conditional asset retirement obligations are not known, nor can they be reasonably estimated.

Statements of Activities Information
Years Ended July 31, 2019 and 2018

Cooperative Program, Southern Baptist Convention	2019	2018
Churches/individuals	$ 226,035	$ 233,474
Alabama	740,409	734,726
Alaska	6,870	9,096
Arizona	43,955	53,312
Arkansas	365,221	375,438
California	85,957	90,003
Colorado	27,214	23,970
Dakota	3,803	6,144
District of Columbia	-	571

Cooperative Program, Southern Baptist Convention	2019	2018
Florida	580,798	597,054
Georgia	606,129	676,360
Hawaii Pacific	9,305	12,785
Illinois	91,760	94,475
Indiana	34,778	39,808
Iowa	13,454	14,083
Kansas-Nebraska	31,945	31,505
Kentucky	389,960	415,938
Louisiana	271,168	280,806
Maryland-Delaware	66,612	63,629
Michigan	12,393	12,550
Minnesota-Wisconsin	9,237	8,224
Mississippi	481,784	472,456
Missouri	228,606	245,892
Montana	7,671	7,166
Nevada	24,445	23,698
New England	8,428	6,742
New Mexico	32,760	34,222
New York	9,484	9,825
North Carolina	451,983	474,859
Northwest	26,911	30,764
Ohio	85,065	83,284
Oklahoma	392,506	397,407
Pennsylvania-South Jersey	13,475	11,381
Puerto Rico/U.S. Virgin Islands	277	144
South Carolina	429,670	448,409
Tennessee	620,315	627,566
Texas - BGCT	405,221	403,908
Texas - SBTC	593,464	614,680
Utah-Idaho	8,411	7,926
Virginia, BGAV	30,786	33,328
Virginia, SBCV	179,565	176,863
West Virginia	21,602	19,690
Wyoming	4,274	4,461
Other	33,967	54,235
Total Cooperative Program	$ 7,707,673	$ 7,962,862

Schedule of Expenditures of State Awards
Year Ended July 31, 2019

State Grantor/Pass-Through Grantor/Program Title	Expenditures
State Programs:	
Direct Programs:	
North Carolina State Education Assistance Authority:	
North Carolina Need-Based Scholarship Program	$ 397,450
Total state awards	$ 397,450

See note to schedule of expenditures of state awards

Note to Schedule of Expenditures of State Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of state awards includes state grant activity of the Seminary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of North Carolina General Statute 143C-6-23. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Independent Auditor's Report

To the Board of Trustees
Southeastern Baptist Theological Seminary, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Southeastern Baptist Theological Seminary, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of July 31, 2019 and 2018, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 Southeastern Baptist Theological Seminary, Inc. and Subsidiary as of July 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the accompanying financial statements, the Seminary adopted the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit-Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during 2019. The adoption of the standard resulted in changes to the classification of net assets and additional footnote disclosures. The adoption was retrospectively applied to the prior year, and the effects of the adoption are disclosed in Note 1 of the consolidated financial statements.

Other Matters

Supplementary Information and Schedule of Expenditures of State Awards

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of state awards as required by North Carolina General Statute 143C-6-23 and the North Carolina State Education Assistance Authority is presented for purposes of additional analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2019, on our consideration of Southeastern Baptist Theological Seminary, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Seminary's internal control over financial reporting and compliance.

RSM US LLP
Raleigh, North Carolina
November 7, 2019

The final paragraph of this opinion contains information regarding Other Reporting Required by Government Auditing Standards. The opinion for this information can be found in the original audit; it is not included here as it was not required for publication in the 2020 Annual.