THE SOUTHWESTERN BAPTIST THEOLOGICAL SEMINARY

Consolidated Statements of Financial Position
For the Year Ended July 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Assets:			
Cash and cash equivalents	$ 1,247,339	$ -	$ 1,247,339
Accounts receivables, net	890,625	-	890,625
Unconditional promises to give, net	-	1,319,799	1,319,799
Other assets	367,163	-	367,163
Notes receivable	396,560	-	396,560
Investments:			
Endowment funds	13,310,454	121,373,822	134,684,276
Split-interest funds	-	15,093,338	15,093,338
Other investments	91,854	-	91,854
Total investments	13,402,308	136,467,160	149,869,468
Due from (to) other funds	(14,504,849)	14,504,849	-
Property, plant, and equipment, net	125,966,664	-	125,966,664
Total assets	$ 127,765,810	$ 152,291,808	$ 280,057,618
Liabilities and net assets:			
Liabilities:			
Accounts payable	$ 1,339,574	$ -	$ 1,339,574
Accrued salaries and benefits	630,017	-	630,017
Deposits and agency funds	935,136	-	935,136
Deferred income	281,081	-	281,081
Notes payable	18,528,414	-	18,528,414
Liability under annuity contracts	-	10,210,870	10,210,870
Accrued postretirement benefit obligation	1,252,610	-	1,252,610
Accrued postemployment benefit obligation	485,225	-	485,225
Total liabilities	23,452,057	10,210,870	33,662,927
Net assets	104,313,753	142,080,938	246,394,691
Total liabilities and net assets	$ 127,765,810	$ 152,291,808	$ 280,057,618

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Financial Position
For the Year Ended July 31, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Assets:			
Cash and cash equivalents	$ 1,110,447	$ -	$ 1,110,447
Accounts receivables, net	743,524	-	743,524
Unconditional promises to give, net	-	2,404,348	2,404,348
Other assets	402,422	-	402,422
Notes receivable	772,367	-	772,367
Investments:			
Endowment funds	14,540,873	120,731,273	135,272,146
Split-interest funds	-	14,865,329	14,865,329
Other investments	586,634	-	586,634
Total investments	15,127,507	135,596,602	150,724,109
Due from (to) other funds	(13,180,952)	13,180,952	-
Property, plant, and equipment, net	132,852,322	-	132,852,322
Total assets	$ 137,827,637	$ 151,181,902	$ 289,009,539

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Liabilities and net assets:			
Liabilities:			
Accounts payable	$ 1,264,724	$ -	$ 1,264,724
Accrued salaries and benefits	658,028	-	658,028
Deposits and agency funds	679,179	-	679,179
Deferred income	200,134	-	200,134
Notes payable	19,322,037	-	19,322,037
Liability under annuity contracts	-	10,152,830	10,152,830
Accrued postretirement benefit obligation	946,881	-	946,881
Accrued postemployment benefit obligation	505,725	-	505,725
Total liabilities	23,576,708	10,152,830	33,729,538
Net assets	114,250,929	141,029,072	255,280,001
Total liabilities and net assets	$ 137,827,637	$ 151,181,902	$ 289,009,539

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Activities
For the Year Ended July 31, 2019

	2019		
Changes in net assets:	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other additions:			
Tuition and fees	$ 13,051,740	$ -	$ 13,051,740
Scholarship and fellowships	(5,313,386)	-	(5,313,386)
Gifts:			
Cooperative Program	7,631,157	-	7,631,157
Student aid	-	2,646,810	2,646,810
Endowment	48,000	1,615,968	1,663,968
Other	987,620	910,282	1,897,902
Investment return	3,183,970	1,395,435	4,579,405
Change in value of split interest funds	-	(58,037)	(58,037)
Auxiliary enterprises	5,668,690	-	5,668,690
Other	778,670	-	778,670
Net assets released from restriction	5,458,592	(5,458,592)	-
Total revenue	31,495,053	1,051,866	32,546,919
Expenses and other deductions:			
Academic and student programs	17,514,481	-	17,514,481
Administrative support	9,074,448	-	9,074,448
Auxiliaries	8,186,186	-	8,186,186
Facilities operation and maintenance	3,322,475	-	3,322,475
Total operating expenses	38,097,590	-	38,097,590
Change in net assets from operating activities	(6,602,537)	1,051,866	(5,550,671)
Loss on sale of property	(3,334,639)	-	(3,334,639)
Change in net assets	(9,937,176)	1,051,866	(8,885,310)
Net assets, beginning of year	114,250,929	141,029,072	255,280,001
Net assets, end of year	$ 104,313,753	$ 142,080,938	$ 246,394,691

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Activities
For the Year Ended July 31, 2018

Changes in net assets:	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total
Revenues and other additions:			
Tuition and fees	$ 13,431,214	$ -	$ 13,431,214
Scholarship and fellowships	(5,431,924)	-	(5,431,924)
Gifts:			
Cooperative Program	7,767,845	-	7,767,845
Student aid	-	2,498,256	2,498,256
Endowment	-	1,876,188	1,876,188
Other	5,554,093	-	5,554,093
Investment return	7,700,039	1,575,756	9,275,795
Change in value of split interest funds	-	126,819	126,819
Auxiliary enterprises	6,136,005	-	6,136,005
Other	605,155	-	605,155
Net assets released from restriction	15,307,189	(15,307,189)	-
Total revenue	51,069,616	(9,230,170)	41,839,446
Expenses and other deductions:			
Academic and student programs	16,709,517	-	16,709,517
Administrative support	6,309,653	-	6,309,653
Auxiliaries	7,053,330	-	7,053,330
Facilities operation and maintenance	5,629,755	-	5,629,755
Total operating expenses	35,702,255	-	35,702,255
Change in net assets from operating activities	15,367,361	(9,230,170)	6,137,191
Gain on sale of property	270,369	-	270,369
Change in net assets	15,637,730	(9,230,170)	6,407,560
Net assets, beginning of year	98,613,199	150,259,242	248,872,441
Net assets, end of year	$ 114,250,929	$ 141,029,072	$ 255,280,001

The accompanying notes are an integral part of these financial statements.

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

Change in cash and cash equivalents:	2019	2018
Change in net assets	$ (8,885,310)	$ 6,407,560
Adjustments to reconcile change in net assets to net cash (utilized by) provided by operating activities:		
Depreciation and amortization of debt issue cost	4,186,531	4,355,778
Contributions restricted for endowment and acquisition of long-term assets	(2,107,975)	(1,995,720)
(Gain) loss on sale of fixed assets	3,334,639	(270,369)
Non-cash contributions	(518,753)	(335,006)
Change in value of swap liability	190,086	(347,912)
Net unrealized and realized gain (loss) on investments	388,562	(7,567,355)
Investment income	(1,189,584)	(663,226)
Change in value of split-interest funds	196,195	94,019
Loss on retirement of assets	-	127,521
Changes in operating assets and liabilities:		
Receivables	(147,101)	301
Unconditional promises to give	1,084,549	2,242,486
Other assets	35,266	152,068
Accounts payable	(98,230)	(567,372)
Other accrued expenses	227,940	(62,987)
Deferred income	80,948	(1,900)
Accrued postretirement benefit obligation	305,729	(275,742)
Accrued postemployment benefit obligation	(20,500)	(71,164)
Total adjustments	5,948,302	(5,186,580)
Net cash (utilized by) provided by operating activities	(2,937,008)	1,220,980

	2019	2018
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	76,415,136	11,447,990
Payments of notes receivable	375,807	-
Purchase of investments	(74,378,877)	(6,946,647)
Proceeds from sale of property and equipment	1,588,472	350,000
Investment in construction in progress	(735,932)	(2,913,554)
Purchase of property, plant, and equipment	(1,290,972)	(6,689,468)
Net cash provided by (utilized by) investing activities	1,973,634	(4,751,679)
Cash flows from financing activities:		
Principal payments on notes payable	(1,007,709)	(732,729)
Contributions restricted for endowments and acquisition of long-term assets	2,107,975	1,995,720
Net cash provided by financing activities	1,100,266	1,262,991
Net increase (decrease) in cash and cash equivalents	136,892	(2,267,708)
Cash and cash equivalents, beginning of year	1,110,447	3,378,155
Cash and cash equivalents, end of year	$ 1,247,339	$ 1,110,447

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. NATURE OF ORGANIZATION

The Southwestern Baptist Theological Seminary, (the "Seminary") is incorporated under the laws of the State of Texas as a not-for-profit religious organization. The primary purpose of the Seminary is to provide theological education for individuals engaging in Christian ministry. The Seminary's primary location is in Fort Worth, Texas.

The Seminary is supported by the SBC and is an entity of that Convention. The Seminary is economically dependent on the SBC and others for financial support.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Seminary consolidates the accounts of The Southwestern Baptist Theological Seminary Development Foundation, Inc. ("Development") and Southwestern Seminary Foundation ("Foundation"), Texas non-profit corporations. Development was formed to aid the Seminary in realizing its religious educational responsibility by acquiring and providing proper facilities and student housing to meet the needs of the Seminary. Foundation was formed in 2005 and became active in 2008. Foundation is organized and operated for the benefit of and to further the purposes of the Seminary and to hold and manage a portion of the Seminary's endowment portfolio. Development and Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In the event of dissolution of either Development or Foundation, all respective assets they have shall inure to the Seminary. All significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

These financial statements of the Seminary have been prepared and are presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The Seminary is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Seminary. These net assets may be used at the discretion of the Seminary's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Seminary by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Basis of Accounting

The consolidated financial statements of the Seminary have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

Revenue and Support

Revenues and support for the Seminary are primarily derived from tuition, fees, and contributions from donors and supporters of the Seminary. Contributions received are recorded as net assets with donor restrictions and net assets without donor restrictions depending on the existence and/or nature of donor restrictions.

Recognition of Donor Restrictions

The Seminary reports gifts of cash and other assets as net asset with donor restrictions if they are received with donor stipulations limiting the use of the donated assets if the restrictions are not met in the period of receipt. A donor restriction expires when a stipulated time restriction ends or a purpose restriction is accomplished. At that time net assets with donor restrictions are reclassified to net assets without donor restrictions. If a stipulated time restriction ends or a purpose restriction is accomplished during the year the donation is received, the donation is recognized as net assets without donor restrictions revenue.

The Seminary reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that resources be maintained permanently but permits the Seminary to use part or all of the income derived from the donated asset for general or restricted purposes.

Revenue Recognition

Contributions are recognized as revenues in the period when unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund raising activity.

Investment returns on endowment and similar funds are reported as follows:

- as changes in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as changes in net assets with donor restrictions if the terms of the gift impose a time or purpose restriction on the use of the income;
- as changes in net assets without donor restrictions in all other cases.

Donated Assets

Donated property is recorded at fair market value on the date of receipt in the appropriate investment, equipment, or expense account. In the absence of donor restrictions, donated assets are reported as revenue without donor restrictions.

Donated Services

Occasionally, the Seminary receives support in the form of donated services. Those services are recognized as revenue without donor restrictions if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. Contributed services that do not meet these criteria are not recognized as revenue. No such amounts were recorded in the financial statements for the years ended July 31, 2019 and 2018.

Classification of Revenue and Expenses

Operating activities include items which are directly related to the Organization's program activities or are essential support elements of those programs. Depreciation and interest expense have been allocated to related operating activities. Interest income and gains or losses on disposals of assets or liabilities do not meet the Organization's criteria for operating activities and are included with other revenue and expenses.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The most significant estimates included in these financial statements are depreciation, the valuation of certain level 3 investments, the interest rate swap agreement, the accrued benefit obligations, and allocation of certain expenses.

Concentrations

Financial instruments, which potentially subject the Seminary to concentrations of credit risk, are cash and cash equivalents and investments. The Seminary places its cash with high-credit quality financial institutions and periodically maintains deposits in amounts which exceed FDIC insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote. The Foundation currently invests primarily in common stock, mutual funds and partnerships. Management believes diversity within the portfolio avoids significant concentration of credit risk with respect to these investments.

Programs

The Seminary's core values are exemplified in its efforts to be Christ-centered, grounded in Scripture, globally minded, supportive of the local church, encouraging of Godly character, pursuit of lifelong relationships, and dedicated to professional excellence and lifelong learning. The Seminary pursues its mission through the execution of these major programs:

Academic and student	-	providing a biblically-based education for undergraduate, graduate, and postgraduate degrees in theology, preaching, evangelism and missions, church and family ministries, church music, and women's studies; along with campus life activities, placement and employment services
Auxiliary enterprises	-	providing housing, dining, recreational, and other services to students and staff
Administrative support	-	providing support for program activities and general operations
Facilities operations	-	providing for maintenance and care of facilities, grounds, and equipment

Cash and Cash Equivalents
For the purposes of financial reporting, the Seminary considers all short-term investments, with an original maturity of three months or less, to be cash equivalents.

Accounts Receivable
The Seminary's accounts receivable are due primarily from students. Credit is extended to students and collateral is not required. Accounts receivable are due at the beginning of each term. Amounts are reported net of an allowance for doubtful accounts. Accounts outstanding beyond the beginning of the term are considered past due. The Seminary determines its allowance by considering a number of factors, including the length of time student receivables are past due and the Seminary's previous loss history. The Seminary writes off accounts receivable when they are deemed uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Typically, students whose accounts are not current are not allowed to enroll in future classes. Allowance for doubtful accounts for the years ended July 31, 2019 and 2018, was $347,865 and $456,620, respectively.

Investments
Investments in debt, equity securities and mineral rights are stated at fair value. The net realized and unrealized gains and losses on investments are reflected in the Statement of Activities. Investments received by gift or bequest are recorded at fair value at the date of effective receipt. If fair value is not determinable at date of effective receipt, assets received by gift or bequest are recorded at a nominal value until such time as the fair value is determinable. Purchased investments or debt securities which are not marketable with readily determinable fair values are carried at cost unless there has been an impairment of value considered to be other than temporary.

The Seminary is the beneficiary of certain perpetual trusts held and administered by third parties. Distributions from the trusts are recorded as endowment income and the carrying value of the investments is the current market value of underlying assets.

Fair Value Measurements
The Seminary follows FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

The Seminary adopted the provisions of Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its equivalent)*. ASU No. 2015-07 amends ASC Topic 820, *Fair Value Measurement*, to remove the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient. The information provided in Note 13 in these financial statements has been updated to comply with the provisions of this ASU.

Split-Interest Agreements
The Seminary is the beneficiary of split-interest agreements which are irrevocable charitable remainder trusts and charitable gift annuities. At the dates these trusts are established, assets and contribution revenues are recognized at the present value of the estimated future benefits to be received when the trust assets are distributed. The receivables are adjusted during the term of the trusts for changes in the value of assets, accretions of the discount and other changes in the estimates of future benefits which are reflected in the Statement of Activities as a change in value of split-interest agreements. Liabilities under split-interest agreements are calculated based upon current actuarial assumptions used by trustees of the agreements.

Advertising Costs
The Seminary uses advertising to promote its major programs to the general public. The costs of advertising are expensed as incurred. Advertising expense was $266,742 and $346,835 for the years ended July 31, 2019 and 2018, respectively.

Property, Plant, and Equipment
Property, plant, and equipment are recorded at acquisition cost. Donated assets are recorded at fair market value at the time of receipt. The Seminary capitalizes assets with a cost greater than $3,500. Betterments and renewals are capitalized. Maintenance and repairs are charged to operations when incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	30-40 years
Eqiuipment	5-10 years
Improvements other than buildings	30 years

Impairment of Long-lived Assets
Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

Unconditional Promises to Give
The Seminary records unconditional promises to give when a promise to give is communicated in writing with specific amounts and due dates for those donors with an established history of giving. Unconditional promises are evaluated annually as to collectability and reserves for doubtful promises are provided for estimated uncollectible accounts. Unconditional promises are written off when determined to be uncollectible.

Functional Allocation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Compensated Absences
Employees of the Seminary are entitled to paid vacation leave depending upon their length of service and other factors. Compensated absences for vacation leave have not been accrued since they cannot be reasonably estimated. The Seminary's policy is to recognize these costs when actually paid.

Interest Rate Swap Agreement
The Seminary uses a derivative to manage risks related to interest rate movements. The Seminary's interest-rate swap contracts are reported at fair value. The change in the swap contract's fair value is reported as a gain or loss in the Statement of Activities. The Seminary's risk management strategy is to stabilize cash flow requirements by maintaining a swap contract which effectively converts variable-rate debt to a fixed rate.

New Accounting Pronouncements
In 2019, the Seminary adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Seminary has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The Seminary has exercised the option provided in the ASU to present only current period data for the Availability and Liquidity data (Note 3) and the presentation of Functional Expense by both nature and function (Note 4) for the year of implementation.

The Seminary adopted ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10) *Recognition and Measurement of Financial Assets and Financial Liabilities*. The update enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The Seminary has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Certain amounts from the 2018 statement of activities have been reclassified to conform to the current year's financial statement presentation and enhance comparability between periods. This change has no effect on net assets or the change in net assets for the year ended July 31, 2018.

3. LIQUIDITY AND AVAILABLE RESOURCES

The following represents the Seminary's financial assets at July 31, 2019:	
Cash and cash equivalents	$ 1,247,339
Accounts and contributions receivable	2,210,424
Notes receivable	396,560
Investments	71,546,527
Endowments held in perpetuity by others	63,229,603
Annuities and trusts held by others	15,093,338
Other assets	367,163
Total financial assets	154,090,954
Amounts not available to be used within one year, due to:	
Contribution and accounts receivable	$ (240,000)
Perpetual and term endowments and accumulated earnings not convertible to cash within the next 12 months	(68,174,674)
Endowments held in perpetuity by others not convertible to cash within the next 12 months	(60,229,603)
Investments held in trusts and various state required annuity reserves	(15,093,338)
Investments in board designated endowments	(439,082)
Total amounts not available to be used within one year	(144,176,697)
Financial assets available to meet general expenditures over the next twelve months	$ 9,914,257

Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, perpetual endowments, or because the governing board has set aside the funds for specific contingency reserves and projects or a long-term investment as board designated endowments. The Seminary structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Seminary also has an unsecured $3,000,000 line of credit, which was not drawn upon at July 31, 2019. The line of credit matures on January 19, 2021. The interest rate is LIBOR, with interest due monthly and principal due upon maturity.

4. FUNCTIONAL EXPENSES

Operating activities include items which are directly related to the Seminary's program services or are essential support elements of those programs. The costs of providing the Seminary's various programs and supporting services have been summarized in the table below, which reports certain categories of expenses that are attributable to more than one program or supporting activity. Accordingly, these expenses have been allocated among the programs and supporting services benefited using allocation bases determined by management and that are reasonable and consistently applied. Interest income and gains or losses on disposals of assets or liabilities do not meet the Seminary's criteria for operating activities and are included with other non-operating activities.

Total expenses include all operating expenses and net periodic pension cost.

	2019				
	Program Activities		Supporting Activities		
	Academic and student programs	Auxiliaries	Administrative Support	Facilities Operation and Maintenance	Total Expenses
Salaries and wages	$ 10,227,381	$ 1,551,964	$ 3,587,227	$ 2,417,508	$ 17,784,080
Employee benefits	2,875,920	347,233	1,748,258	517,126	5,488,537
Depreciation and amortization	-	-	-	4,162,532	4,162,532
Services, supplies, and other	1,950,154	686,874	2,161,513	(37,951)	4,760,590
Occupancy, utilities, and maintenance	236,979	1,037,553	1,711,651	1,884,147	4,870,330
Interest	-	1,018,523	7,701	-	1,026,224
Transfer between functions	38,703	1,830,485	(294,664)	(1,569,227)	5,297
Depreciation and amortization, allocated by function	2,185,344	1,713,554	152,762	(4,051,660)	-
Total expenses	$ 17,514,481	$ 8,186,186	$ 9,074,448	$ 3,322,475	$ 38,097,590

5. UNCONDITIONAL PROMISES TO GIVE

Scheduled maturities of unconditional promises to give at July 31, are as follows:

	2019	2018
Less than one year	$ 1,122,000	$ 1,168,229
One to five years	240,000	1,362,000
Total unconditional promises to give	1,362,000	2,530,229
Unamortized discount at 2.53% and 3.10%, respectively	(42,201)	(125,881)
Net unconditional promises to give	$ 1,319,799	$ 2,404,348

6. FUNDRAISING ACTIVITIES

Fundraising expense for the years ended July 31, 2019 and 2018, was $964,296 and $1,060,190, respectively, These expenses are included in institutional support in the accompanying Statement of Activities.

7. COOPERATIVE PROGRAM

One significant source of Seminary revenue is the Cooperative Program of the SBC. Churches participating in the Cooperative Program contribute to the SBC, which passes funds (according to an allocation formula) to the Seminary and other entities. The Seminary received $7,631,157 and $7,767,845 from the SBC for the years ended July 31, 2019 and 2018, respectively.

Distributions by state, as provided by the Executive Committee of the SBC for years ended July 31, are as follows:

	2019	2018
Alabama	$ 736,304	$ 721,647
Alaska	6,831	8,934
Arizona	43,711	52,363
Arkansas	363,196	368,755
California	85,480	88,401
Colorado	27,063	23,543
Dakota	3,782	6,035
District of Columbia	-	561
Florida	577,578	586,426

	2019	2018
Georgia	602,768	664,320
Hawaii Pacific	9,253	12,558
Illinois	91,252	92,793
Indiana	34,585	39,099
Iowa	13,379	13,832
Kansas-Nebraska	31,768	30,945
Kentucky	387,797	408,534
Louisiana	269,664	275,808
Maryland-Delaware	66,243	62,497
Michigan	12,324	12,326
Minnesota-Wisconsin	9,186	8,078
Mississippi	479,113	464,046
Missouri	227,339	241,515
Montana	7,628	7,038
Nevada	24,309	23,276
New England	8,381	6,622
New Mexico	32,579	33,613
New York	9,432	9,650
North Carolina	449,477	466,406
Northwest	26,762	30,217
Ohio	84,594	81,802
Oklahoma	390,330	390,333
Pennsylvania-South Jersey	13,400	11,178
Puerto Rico/U.S. Virgin Islands	276	141
South Carolina	427,287	440,426
Tennessee	616,876	616,395
Texas – BGCT	402,974	396,718
Texas – SBTC	590,174	603,739
Utah-Idaho	8,364	7,785
Virginia – BGAV	30,615	32,735
Virginia – SBCV	178,569	173,715
West Virginia	21,482	19,340
Wyoming	4,251	4,382
	7,406,376	7,538,527
Churches and individuals	224,781	229,318
Total Cooperative Program Allocation	$ 7,631,157	$ 7,767,845

8. INVESTMENTS

The Seminary carries marketable securities at fair market value and realized and unrealized gains and losses are recorded in the Statement of Activities. Investments consist of the following as of July 31:

Money market funds	$ 477,197	$ 3,206,208
Debt securities	-	5,232,320
Equity securities	20,204	40,238,749
Government securities	-	1,561,642
Global listed infrastructure	-	3,574,513
Private equity	1,008,784	1,562,868
Closed-end funds	-	2,416,589
Other Foundations and 3rd party trusts	78,230,803	78,830,725
Other investments	-	729,882
	79,736,988	137,353,496
Investments measured at net asset value	70,132,480	13,370,613
Investments, net of restricted cash	$ 149,869,468	$ 150,724,109

The "Investments measured at net asset value" and "Private equity" categories include interest in certain limited partnerships and limited liability corporations and is carried at fair value as provided by the investment managers. The amounts realized upon disposition of these investments may differ from the value reflected in the financial statements and the differences could be material. Certain partnership agreements are restricted as to resale and may require advance notice for redemption or withdrawal.

The Seminary's investments in partnerships is subject to various risk factors arising from the investment activities of the underlying instruments of the partnerships, including market, credit, and currency risk. The Seminary's risk of loss as of July 31, 2019 and 2018, in any of its investment partnerships is limited to the value of the investment at July 31, 2019 and 2018.

The following schedule details investment returns for the years ended July 31:

	2019	2018
Dividend and interest income	$ 4,821,657	$ 1,756,743
Net realized gains on investments	8,361,491	2,463,948
Net unrealized gain (loss) on investments	(8,603,743)	5,055,104
Total	$ 4,579,405	$ 9,275,795

Investment fees are netted against dividend and interest income.

9. PROPERTY, PLANT, AND EQUIPMENT

Property and equipment consists of the following at July 31:

Land	$ 2,028,483	$ 2,920,331
Buildings	150,842,775	156,623,724
Equipment	16,235,212	15,987,078
Improvements other than buildings	9,987,103	9,593,370
Library books/microfilm/antiquities	14,263,995	14,086,829
	193,357,568	199,211,332
Less accumulated depreciation	(67,390,904)	(66,359,010)
Total	$125,966,664	$132,852,322

Buildings include construction in progress for existing facilities totaling $908,321 at July 31, 2019.

10. EMPLOYEE BENEFITS

Defined Contribution Retirement Plan

The Seminary provides its officers, permanent faculty and career employees with a defined contribution retirement plan which is administered by GuideStone Financial Resources of the Southern Baptist Convention under Internal Revenue Code Section 403(b) and Treasury regulations related thereto. The Seminary's contribution for the years ended July 31, 2019 and 2018, was $1,009,198 and $1,091,495, respectively.

Postretirement and Postemployment Benefits

The Seminary provides postretirement benefits to retired employees. The following table sets forth the future obligations at July 31:

Accumulated benefit costs	$ 1,252,610	$ 946,881
Employer contributions (benefit paid)	(65,100)	(61,400)
Net periodic benefit cost	50,315	103,454
Comprehensive Income	(320,514)	317,796
Discount rate assumed	3.25%	4.03%

The Seminary provides postemployment benefits to retired employees. The following table sets forth the future obligations at July 31:

Accumulated benefit costs	$ 485,225	$ 505,725
Employer contributions (benefit paid)	(49,122)	(50,798)
Net periodic benefit cost	28,622	20,366
Discount rate assumed	3.22%	4.04%

11. NET ASSETS

	2019	2018
Net assets without donor restrictions:		
Current operations	$ (14,697,116)	$(12,468,923)
Notes payable	(18,528,414)	(19,322,037)
Endowment	13,310,454	14,540,873
Invested in property, plant and equipment	125,966,664	132,953,622
Unfunded postretirement benefits	(1,252,610)	(946,881)
Unfunded postemployment benefits	(485,225)	(505,725)
Total net assets without donor restrictions	$104,313,753	$114,250,929

Net assets with donor restrictions, temporary in nature and met by passage of time consists of the following:

Capital projects	$ 4,101,177	$ 162,827
Scholarships	9,224,479	9,621,783
Other	2,105,974	5,316,356
Total net assets, temporary in nature	$ 15,431,630	$ 15,100,966

	2019	2018
Net assets with donor restrictions, perpetual in nature and stipulated by the donor consists of the following:		
Annuity and life income funds	$ 4,882,470	$ 4,712,498
Endowment funds	121,007,398	120,731,273
Other	759,440	484,335
Total net assets, perpetual in nature	126,649,308	125,928,106
Total net assets with donor restrictions	142,080,938	141,029,072
Total net assets	$246,394,691	$255,280,001
Net assets released during the years ended July 31 are for the following purposes:		
Capital projects	$ (3,539,029)	$ 9,518,820
Scholarships	5,325,612	5,442,376
Other	3,672,009	345,993
Total net assets released	$ 5,458,592	$ 15,307,189

12. ENDOWMENT INVESTMENTS

Return Objectives and Risk Parameters - The Seminary has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include net assets with donor restricted funds that the Seminary must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce returns that equal inflation plus annual distribution, while assuming moderate levels 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 greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy - The Seminary has a policy of appropriating for distribution each year a percentage (generally between 4% and 6%) of its endowment fund's average fair value based on a 16 quarter moving average of portfolio values. This is consistent with the Seminary's objective to maintain purchasing power of endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Board of Trustees has the right to recommend against expenditure of earnings or gains in any given year due to factors such as financial market conditions or poor investment performance.

Funds Held in Trust by Others - A substantial portion of the Seminary's endowment assets is held by Baptist entities throughout the United States. These entities do not report net assets with donor restrictions on the amount to retain as a fund of perpetual duration. Consequently, the Seminary records changes in the market value of investments held in trust for the benefit of the Organization as though the donor specifies the undistributed funds be considered included in the fund for perpetual duration.

Underwater Funds - From time to time, the market value of assets associated with individual donor-restricted endowment funds may fall below the original gift value (become "underwater"). In accordance with GAAP and the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA), deficiencies of this nature are classified in net assets with donor restrictions. As of July 31, 2019, material deficiencies (5.0% or greater) of this nature exist in 260 donor-restricted endowment funds, which together have a original gift value of $23,123,500 and a market value of $18,800,100. These deficiencies resulted primarily from unfavorable market conditions that occurred shortly after the investment of new perpetually restricted contributions, along with continuing distributions for the program purposes designated by the donors.

Restrictions - Endowment investments are either net assets with donor restrictions or net assets without donor restrictions. Donor contributions and earnings that are permanently reinvested at donor direction, and earnings from funds held in trust by others are treated as net assets with donor restrictions. Other market value changes, whether realized or unrealized gains and losses or income (net of expenses) of donor-restricted endowments and all board-designated endowments are placed in the unrestricted category.

Endowments as of July 31, 2019, are composed of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds and market value changes of donor-restricted endowment funds	$ 12,871,372	$ 121,373,822	$ 134,245,194
Board-designated	439,082	-	439,082
Total	$ 13,310,454	$ 121,373,822	$ 134,684,276

The change in endowments for the year ended July 31, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the period	$ 14,540,873	$ 120,731,273	$ 135,272,146
Investment gain	(1,278,419)	(907,739)	(2,186,158)
Contributions	48,000	1,550,288	1,598,288
End of period	$ 13,310,454	$ 121,373,822	$ 134,684,276

Endowments as of July 31, 2018, are composed of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds and market value changes of donor-restricted endowment funds	$ 14,155,234	$ 120,731,273	$ 134,886,507
Board-designated	385,639	-	385,639
Total	$ 14,540,873	$ 120,731,273	$ 135,272,146

The change in endowments for the year ended July 31, 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the period	$ 14,297,168	$ 114,949,793	$ 129,246,961
Investment gain	243,705	3,958,086	4,201,791
Contributions	-	1,823,394	1,823,394
End of period	$ 14,540,873	$ 120,731,273	$ 135,272,146

13. FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Seminary uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Valuations based on inputs, other than quoted prices included in Level 1, which are observable either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair values for money market funds, equities, mutual funds, and closed-end funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

Fair values for investment in partnerships have been estimated using the net asset value (NAV) per share of the investments as provided by the fund managers. Individual fund managers rely on a variety of inputs that are available according to the type of investment strategy in use.

Multi-strategy and long/short hedge funds typically utilize the NAV provided by the underlying investee. The Valuation Committee established by each fund manager also takes into account information provided within audited and unaudited financial statements and performance reports of the underlying investee. In addition, third party valuation services, broker quotes, estimates, and other alternative valuation techniques may be utilized by the fund's Valuation Committee.

Structured credit fund portfolio investments are primarily in the form of debt investments that are not publicly traded. The fair value of these securities is not readily determinable. These investments are valued on at least a quarterly basis in accordance with a valuation policy which is, at all times, consistent with accounting principles generally accepted in the United States (US GAAP). The Board of Directors or Valuation Committee determines the fair value in good faith based on the input of their Investment Advisor and the respective third-party valuation firms.

Private equity funds fair values are supported by information received from the investee funds such as monthly net asset values, investor reports, and audited financial statements, when available. The fund Valuation Committee may consider other factors, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

Investments by category level at July 31, 2019, are as follows:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
Endowment Funds	$ 64,551,795	$ 63,543,011	$ -	$ 1,008,784
Annuities, net	4,882,469	4,882,469	-	-
Other Investments	91,854	91,854	-	-
Total investments subject to fair value hierarchy	69,526,118	$ 68,517,334	$ -	$ 1,008,784
Investments measured at net asset value	70,132,480			
Total	$ 139,658,598			

Investments by category level at July 31, 2018, are as follows:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
Endowment Funds	$ 121,901,534	$ 120,338,666	$ -	$ 1,562,868
Annuities, net	4,712,498	4,712,498	-	-
Other Investments	586,634	586,634	-	-
Total investments subject to fair value hierarchy	127,200,666	$ 125,637,798	$ -	$ 1,562,868
Investments measured at net asset value	13,370,613			
Total	$ 140,571,279			

The changes in investment in partnerships, which are measured at fair value on a recurring basis using significant unobservable inputs, are as follows:

Balance at July 31, 2017	$ 2,113,753
Redemptions	(915,938)
Subscriptions	101,648
Change in estimated fair value	263,405
Balance at July 31, 2018	1,562,868
Redemptions	(622,827)
Subscriptions	41,693
Change in estimated fair value	27,050
Balance at July 31, 2019	$ 1,008,784

14. NOTES PAYABLE

In fiscal year 2012, the Seminary entered into a financing arrangement ("Loan") with a bank, for the purpose of paying for construction of 252 new student housing units. The Loan is structured with $16,000,000 of tax-exempt bonds and a $7,000,000 taxable loan with the bank. The tax-exempt portion of the loan is amortized over 20 years, with the final payment due December 15, 2021. Interest calculation is based upon 65% of the 90-day LIBOR rate plus 156 basis points. The 90-day LIBOR rate is 2.27% and 1.31% at July 31, 2019 and 2018, respectively. From December 2011 to December 2013, quarterly payments were for interest only, with both principal reduction and interest payments beginning in January 2014. The taxable portion of the loan was due December 30, 2018, with interest calculated as 90-day LIBOR rate plus 200 basis points. This portion of the Loan was renewed and extended to mature on December 15, 2021, with the same interest provision. The Loan is secured with deeds of trust on land and buildings, with a net book value of $25,837,137 in Fort Worth, Texas.

Scheduled principal payments and total loans outstanding at July 31, 2019, for the following three years ended July 31, and thereafter are as follows:

2020	$ 782,186
2021	809,620
2022	16,875,758
Total scheduled payments	18,467,564
Liability on swap agreement	132,850
Debt issue cost	(72,000)
Total amount outstanding	$ 18,528,414

The Seminary entered into an interest rate swap as a hedge against exposure to variances in interest rates applied to the loans. The differential interest required to be paid or that will be received under these agreements is accrued consistent with the terms of the agreements and is recognized in the Statements of Activities and included in these Notes Payable.

The interest rate for the bonds is established quarterly based upon 65% of the 90-Day LIBOR plus 1.56% (3.04% and 2.41% at July 31, 2019 and 2018, respectively). The notional principal amount of the swap agreements are $10,000,000 and $6,000,000. The agreements effectively fix the Seminary's interest rate exposure at 3.25% for a period of ten years ending December 2021.

Generally accepted accounting principles require derivative instruments, such as interest rate swap agreements, to be recognized at fair value as either assets or liabilities in the Statements of Financial Position. Accordingly, $132,850 and $(57,236), which is representative of the value of the swap agreements at July 31, 2019 and 2018, respectively, is included in Notes Payable on the Statement of Financial Position. Value has been measured based on an estimate of the amount needed to settle the agreement as calculated by the counterparty to the swap agreement. Such calculations were based on changes in market conditions and/or assumptions underlying the valuation models.

The Seminary paid interest for the years ending July 31, 2019 and 2018, of $828,437 and $718,412, respectively.

15. CHARITABLE GIFT ANNUITIES

The Seminary, through the Foundation, enters into split interest agreements with donors whereby, in exchange for the gift from the donor, the Seminary is obligated to provide an annuity to the donor or other designated beneficiaries during their lifetimes. At July 31, 2019, two annuities are active. The assets and liabilities associated with these annuities are accounted for as indicated in Note 2, Split-Interest Agreements.

16. LEASE COMMITMENTS

The Seminary has non-cancelable operating leases for various office equipment expiring in 2023. Lease expenses were $244,748 and $255,910 for the years ended July 31, 2019 and 2018, respectively. The Seminary's future minimum lease payments under the lease agreements are as follows for the four years ended July 31:

2020	$ 235,300
2021	224,409
2022	213,242
2023	133,374
Total future minimum lease payments	$ 806,325

17. ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The Seminary is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation, except on net income derived from unrelated business activities. The Seminary is subject to unrelated business income tax on certain rental activities. The Seminary paid no taxes for unrelated business income tax in 2019 and 2018 as expenses exceeded revenues. The Seminary believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

18. CONTINGENCY

The Seminary is a defendant in a pending litigation, asserting claims by a former student of the Seminary, related to an alleged sexual offense occurring on Seminary property. Presently, discovery responses are ongoing according to the timelines established by law and/or by agreement of the parties. At this stage, there is no reasonable prediction of the outcome of the case, or of any potential liability of the Seminary. The Seminary has tendered the lawsuit to its insurance carrier, who is providing the Seminary a defense subject to a reservation of rights.

19. NONCASH INVESTING ACTIVITY

During 2018, the Organization sold land with a carrying value of $770,000 for $1,100,000. The Organization received $350,000 in cash and issued a note receivable for $750,000 with interest of 4.5% per annum. The note is receivable in semi-annual payments through maturity in June 2020.

20. SUBSEQUENT EVENTS

The Seminary has evaluated subsequent events through October 17, 2019, the date the financial statements were available to be issued.

Independent Auditors' Report

To the Board of Trustees
The Southwestern Baptist Theological Seminary
Fort Worth, Texas

We have audited the accompanying consolidated financial statements of The Southwestern Baptist Theological Seminary (a Texas nonprofit corporation) which comprise the consolidated statements of financial position as of July 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards requite that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Southwestern Baptist Theological Seminary, 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.

Guinn, Smith & Co. Inc.
Irving, Texas
October 17, 2019