

# NEW ORLEANS BAPTIST THEOLOGICAL SEMINARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,417,937	\$ 1,626,217
Accounts receivable, less allowance for doubtful accounts of \$60,000 in 2019 and 2018	2,869,595	2,806,396
Accounts receivable - related organizations	805,394	1,612,797
Prepaid expenses and other assets	1,484,116	1,467,300
Investments	80,670,024	78,858,736
Property and equipment, net	16,741,666	16,991,828
Funds held in trust by others	<u>2,836,514</u>	<u>2,779,506</u>
<b>Total assets</b>	<b><u>\$ 107,825,246</u></b>	<b><u>\$ 106,142,780</u></b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,221,012	\$ 1,124,748
Accounts payable - related organizations	-	777,352
Deposits and deferred revenue	<u>2,934,364</u>	<u>2,804,349</u>
<b>Total liabilities</b>	<b><u>4,155,376</u></b>	<b><u>4,706,449</u></b>
<b>Net assets:</b>		
Without donor restrictions	38,242,366	38,054,822
With donor restrictions	<u>65,427,504</u>	<u>63,381,509</u>
<b>Total net assets</b>	<b><u>103,669,870</u></b>	<b><u>101,436,331</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 107,825,246</u></b>	<b><u>\$ 106,142,780</u></b>

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

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JULY 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, gains, and other support:</b>			
Student tuition and fees	\$ 9,553,944	\$ -	\$ 9,553,944
<b>Gifts:</b>			
Southern Baptist Convention - Cooperative Program	7,141,231	-	7,141,231
Other	2,467,790	5,073,714	7,541,504
Endowment income	411,468	1,337,836	1,749,304
Investment and other income	936,068	1,366,411	2,302,479
Net appreciation in fair value of investments	556,636	67,099	623,735
Change in value of funds held in trust by others	-	44,508	44,508
Gifts to funds held in trust by others	-	12,500	12,500
<b>Auxiliary enterprises:</b>			
Student housing	2,003,988	-	2,003,988
Other	5,590	-	5,590
Supporting departments income	2,839,169	-	2,839,169
Other	<u>944,486</u>	<u>-</u>	<u>944,486</u>
<b>Total revenues, gains, and other support</b>	<b><u>26,860,370</u></b>	<b><u>7,902,068</u></b>	<b><u>34,762,438</u></b>
<b>Net assets released from restrictions</b>	<b><u>5,856,073</u></b>	<b><u>(5,856,073)</u></b>	<b><u>-</u></b>
<b>Expenses:</b>			
<b>Programs:</b>			
Division of Biblical Studies	719,325	-	719,325
Division of Theological and Historical Studies	812,765	-	812,765
Division of Pastoral Ministries	625,822	-	625,822
Division of Christian Education Ministries	493,610	-	493,610
Division of Church and Community Ministries	920,080	-	920,080
Division of Church and Music Ministries	442,578	-	442,578
Center of Evangelism and Church Growth	172,277	-	172,277
Leavell College	919,467	-	919,467
Non-Divisional Academic	5,719,289	-	5,719,289
Library	951,145	-	951,145

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support services:			
Academic Dean's Office	376,314	-	376,314
Registry Office	318,310	-	318,310
Administrative and general	2,726,561	-	2,726,561
Maintenance	4,198,552	-	4,198,552
Supporting departments expenses	2,903,680	-	2,903,680
Student aid	4,072,931	-	4,072,931
Auxiliary enterprises:			
Student housing	2,579,640	-	2,579,640
Other	<u>1,434,752</u>	<u>-</u>	<u>1,434,752</u>
Total support services	18,610,740	-	18,610,740
Development	620,281	-	620,281
Capital projects	643,398	-	643,398
Depreciation	<u>878,122</u>	<u>-</u>	<u>878,122</u>
Total expenses	<u>32,528,899</u>	<u>-</u>	<u>32,528,899</u>
Changes in net assets	187,544	2,045,995	2,233,539
Net assets at beginning of year	<u>38,054,822</u>	<u>63,381,509</u>	<u>101,436,331</u>
Net assets at end of year	<u>\$ 38,242,366</u>	<u>\$ 65,427,504</u>	<u>\$ 103,669,870</u>

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

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2018**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Student tuition and fees	\$ 8,681,160	\$ -	\$ 8,681,160
Gifts:			
Southern Baptist Convention - Cooperative Program	7,288,119	-	7,288,119
Other	2,256,756	4,097,466	6,354,222
Endowment income	407,091	1,249,065	1,656,156
Investment and other income	1,455,957	1,517,868	2,973,825
Net depreciation in fair value of investments	(824,526)	(167,225)	(991,751)
Change in value of funds held in trust by others	-	135,476	135,476
Gifts to funds held in trust by others	-	12,500	12,500
Auxiliary enterprises:			
Student housing	1,993,183	-	1,993,183
Other	5,120	-	5,120
Supporting departments income	2,844,276	-	2,844,276
Other	<u>511,468</u>	<u>-</u>	<u>511,468</u>
Total revenues, gains, and other support	<u>24,618,604</u>	<u>6,845,150</u>	<u>31,463,754</u>
Net assets released from restrictions	<u>5,432,853</u>	<u>(5,432,853)</u>	<u>-</u>
Expenses:			
Programs:			
Division of Biblical Studies	898,720	-	898,720
Division of Theological and Historical Studies	773,983	-	773,983
Division of Pastoral Ministries	685,263	-	685,263
Division of Christian Education Ministries	558,507	-	558,507
Division of Church and Community Ministries	901,803	-	901,803
Division of Church and Music Ministries	563,750	-	563,750
Center of Evangelism and Church Growth	168,399	-	168,399
Leavell College	871,815	-	871,815
Non-Divisional Academic	5,479,320	-	5,479,320
Library	956,999	-	956,999
Support services:			
Academic Dean's Office	379,625	-	379,625
Registry Office	311,755	-	311,755
Administrative and general	2,706,970	-	2,706,970
Maintenance	4,249,177	-	4,249,177

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Supporting departments expenses	2,885,785	-	2,885,785
Student aid	3,712,052	-	3,712,052
Auxiliary enterprises:			
Student housing	2,579,640	-	2,579,640
Other	<u>1,476,025</u>	<u>-</u>	<u>1,476,025</u>
Total support services	18,301,029	-	18,301,029
Development	805,741	-	805,741
Capital projects	347,634	-	347,634
Depreciation	<u>920,556</u>	<u>-</u>	<u>920,556</u>
Total expenses	<u>32,233,519</u>	<u>-</u>	<u>32,233,519</u>
Changes in net assets	(2,182,062)	1,412,297	(769,765)
Net assets at beginning of year	<u>40,236,884</u>	<u>61,969,212</u>	<u>102,206,096</u>
Net assets at end of year	<u>\$ 38,054,822</u>	<u>\$ 63,381,509</u>	<u>\$ 101,436,331</u>

*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**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,233,539	\$ (769,765)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	878,122	920,556
Net (appreciation) depreciation in fair value of investments	(623,735)	991,751
Change in value of funds held in trust by others	(44,508)	(135,476)
Gifts to funds held in trust by others	(12,500)	(12,500)
Increase in cash value of life insurance	(21,547)	(28,823)
Decrease (increase) in operating assets:		
Accounts receivable	(63,199)	(68,165)
Accounts receivable - related organizations	807,403	(766,320)
Prepaid expenses and other assets	(16,816)	80,996
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	96,264	151,544
Accounts payable - related organizations	(777,352)	(702,943)
Deposits and deferred revenue	130,015	306,163
Contributions restricted for long-term investment	<u>(2,543,043)</u>	<u>(1,890,497)</u>
Net cash provided (used) by operating activities	<u>42,643</u>	<u>(1,923,479)</u>
Cash flows from investing activities:		
Purchase of investments	(20,395,840)	(18,258,257)
Sale of investments	18,469,700	16,670,590
Payments on investment notes receivable	760,134	2,247,837
Purchase of property and equipment	<u>(627,960)</u>	<u>(408,642)</u>
Net cash provided (used) by investing activities	<u>(1,793,966)</u>	<u>251,528</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	<u>2,543,043</u>	<u>1,890,497</u>
Net cash provided by financing activities	<u>2,543,043</u>	<u>1,890,497</u>
Increase in cash and cash equivalents	791,720	218,546
Cash and cash equivalents - beginning of year	<u>1,626,217</u>	<u>1,407,671</u>
Cash and cash equivalents - end of year	<u>\$ 2,417,937</u>	<u>\$ 1,626,217</u>
Non-cash investing activities:		
Payments on investment note receivable through related party payables	<u>\$ -</u>	<u>\$ 900,000</u>
Net transfer of investments with related parties	<u>\$ -</u>	<u>\$ 116,288</u>

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

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2019**

	Division of Biblical Studies	Division of Theological and Historical Studies	Division of Pastoral Ministries	Division of Christian Education Ministries	Division of Church and Community Ministries	Division of Church and Music Ministries	Center of Evangelism and Church Growth	Leavell College	Non-Divisional Academic	Library	Support Services	Development	Total
Salaries and benefits	\$ 529,308	\$ 620,079	\$ 465,117	\$ 308,373	\$ 710,403	\$ 314,874	\$ 148,498	\$ 642,975	\$ 1,839,139	\$ 514,870	\$ 6,302,191	\$ 373,550	\$ 12,769,377
Contract labor	155,981	137,596	127,609	140,120	46,202	55,547	-	159,243	749,900	-	494,336	5,200	2,071,734
Copies and postage	4,281	9,254	2,065	967	5,363	7,861	3,117	12,693	23,876	8,478	60,333	-	138,288
Repairs and maintenance	7,200	12,575	9,700	12,475	-	12,875	7,750	17,725	86,873	6,180	1,786,142	12,479	1,971,974
Supplies and equipment	5,943	6,283	4,972	9,303	7,914	5,610	3,173	11,494	88,887	398,594	1,071,305	66,798	1,680,276
Utilities	3,360	13,920	4,800	-	7,780	6,720	3,360	11,906	118,215	4,900	1,394,228	10,761	1,579,950
Unbudgeted non-divisional current fund	-	-	-	-	-	-	-	-	1,817,878	-	-	-	1,817,878
Other operating expenses	12,824	-	-	-	-	20,948	-	63,431	387,090	11,439	183,756	-	679,488
Student activities and recruitment	-	-	-	-	129,500	14,766	-	-	258,794	-	294,797	18,284	716,141
Scholarships	-	-	-	-	-	-	-	-	-	-	3,719,574	-	3,719,574
Training and travel	428	4,239	973	10,307	-	3,377	91	-	201,484	6,684	190,669	24,130	442,382
Publicity and promotion	-	-	-	518	-	-	-	-	60,713	-	104,532	109,079	274,842
Rent	-	-	-	-	-	-	-	-	86,440	-	3,008,877	-	3,095,317
Other	-	8,819	10,586	11,547	12,918	-	6,288	-	-	-	-	-	50,158
Total expenses before capital projects and depreciation	719,325	812,765	625,822	493,610	920,080	442,578	172,277	919,467	5,719,289	951,145	18,610,740	620,281	31,007,379
Capital projects	26,670	31,243	23,435	15,538	35,794	15,865	7,482	32,397	92,667	25,942	317,542	18,822	643,398
Depreciation	36,399	42,641	31,985	21,206	48,853	21,653	10,212	44,216	126,474	35,406	433,388	25,688	878,122
Total expenses	\$ 782,394	\$ 886,649	\$ 681,242	\$ 530,354	\$ 1,004,727	\$ 480,096	\$ 189,971	\$ 996,080	\$ 5,938,430	\$ 1,012,493	\$ 19,361,670	\$ 664,791	\$ 32,528,899

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2018**

	Division of Biblical Studies	Division of Theological and Historical Studies	Division of Pastoral Ministries	Division of Christian Education Ministries	Division of Church and Community Ministries	Division of Church and Music Ministries	Center of Evangelism and Church Growth	Leavell College	Non-Divisional Academic	Library	Support Services	Development	Total
Salaries and benefits	\$ 739,658	\$ 598,271	\$ 538,047	\$ 397,887	\$ 654,887	\$ 450,591	\$ 145,301	\$ 580,534	\$ 1,892,965	\$ 530,135	\$ 6,102,724	\$ 428,974	\$ 13,059,974
Contract labor	130,182	124,917	110,360	118,213	105,952	43,893		305,291	824,181		548,396	-	2,311,385
Copies and postage	2,544	8,263	3,939	1,950	7,226	9,427	2,012	14,215	20,613	5,345	63,906	247,650	387,090
Repairs and maintenance	7,200	12,645	9,700	12,475	-	12,057	7,750	17,725	88,543	8,136	1,847,208	12,631	2,036,070
Supplies and equipment	2,999	3,733	3,411	8,501	4,296	5,076	2,694	9,725	105,634	392,953	990,938	49,700	1,579,660
Utilities	3,371	13,491	5,808	-	7,680	6,911	3,382	11,756	120,303	7,110	1,417,276	10,436	1,607,524
Unbudgeted non-divisional current fund	-	-	-	-	-	-	-	(120,745)	1,497,754	-	-	-	1,377,009
Other operating expenses	12,766	8,899	10,503	12,329	13,302	20,640	6,630	53,314	289,463	12,537	439,174	-	879,557
Student activities and recruitment	-	-	-	-	108,170	12,413	-	-	308,661	-	254,219	29,887	713,350
Scholarships	-	-	-	-	-	-	-	-	-	-	3,381,175	-	3,381,175
Training and travel	-	3,764	3,495	7,064	290	2,502	630	-	208,840	783	200,478	26,463	454,309
Publicity and promotion	-	-	-	88	-	240	-	-	37,695	-	115,895	-	153,918
Rent	-	-	-	-	-	-	-	-	84,668	-	2,939,640	-	3,024,308
Total expenses before capital projects and depreciation	898,720	773,983	685,263	558,507	901,803	563,750	168,399	871,815	5,479,320	956,999	18,301,029	805,741	30,965,329
Capital projects	19,688	15,925	14,322	10,591	17,432	11,994	3,868	15,453	50,387	14,111	162,444	11,419	347,634
Depreciation	52,136	42,170	37,925	28,046	46,161	31,761	10,242	40,920	133,429	37,368	430,162	30,237	920,556
Total expenses	\$ 970,544	\$ 832,078	\$ 737,510	\$ 597,144	\$ 965,396	\$ 607,505	\$ 182,509	\$ 928,188	\$ 5,663,136	\$ 1,008,478	\$ 18,893,635	\$ 847,397	\$ 32,233,519

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JULY 31, 2019 AND 2018**

**Note 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The consolidated financial statements include the accounts of the New Orleans Baptist Theological Seminary (Seminary) and the New Orleans Baptist Seminary Foundation (Foundation). The Seminary is an agency of the Southern Baptist Convention (SBC) and is governed by a Board of Trustees elected by the SBC. The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana to provide financial support to the Seminary.

Because these entities (hereafter collectively termed the "Seminary") are under common control and management and share the same facilities and other resources, the accompanying consolidated financial statements include these entities on a consolidated basis. All significant intercompany balances and transactions have been eliminated.

The Seminary is funded primarily by the SBC Cooperative Program, student tuition and fees, and gifts from others.

Basis of Accounting

The consolidated financial statements of the Seminary have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statement presentation is presented as required by the *Not-For-Profit Entities Classification of Net Assets* Topic of the FASB Accounting Standards Codification. Under those provisions, net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

*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 organization. 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 or 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.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the consolidated financial statements. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, sweep accounts, and all highly liquid debt instruments with original maturities of three months or less, except that such investments purchased with endowment assets or deposits with trustees are classified as long-term investments.

At times, the Seminary maintains deposits with high quality financial institutions in amounts that are in excess of federal insurance limits.

Accounts Receivable

Accounts receivable include student accounts receivable and other receivables. Student accounts receivable represent amounts due for tuition, fees, and room and board from currently enrolled and former students. The Seminary extends unsecured credit to students in connection with their studies. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

The Seminary's policy is to allow students to register in advance during the summer preceding fall classes. Uncollected billings for student tuition and fees at July 31, 2019 and 2018 for the fall semester are included in accounts receivable. In addition, billings for tuition and fees at July 31, 2019 and 2018, in advance of the commencement of the fall semester, are recorded as deferred revenue. Tuition and fees are recognized as revenues in the period in which the related educational instruction occurs.

Investments

Investments in marketable and debt securities are stated at fair value. Real estate investments are stated at cost or fair value at the date of gift. Notes receivable are valued at their outstanding principal balance. Life insurance policies are stated at their stated cash values. Restricted gains and investment income whose restrictions are met in the period the gains or income are recognized are reported as unrestricted revenue and gains.

### Property and Equipment

Property and equipment are stated primarily at cost or, if donated, at the approximate fair market value at the date of donation, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (which range from 5 to 67 years). Expenditures for new construction, major renewals and replacements, and equipment are capitalized.

Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are reported as increases in temporarily restricted net assets. Restrictions are considered met, and an appropriate amount reclassified to unrestricted net assets, over the useful life of the long-lived assets as calculated by the Seminary's depreciation policy.

### Contributions

The Seminary accounts for contributions in accordance with the related topics in the FASB Accounting Standards Codification. Contributions, including unconditional promises to give, are recognized as revenues in the period 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 of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Restricted contributions whose restrictions are met in the period the contributions are received are reported without donor restrictions.

At July 31, 2019 and 2018, no conditional promises to give or contributions to be received after one year existed.

### Tuition and Fee Revenue

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

### Functional Expense Allocation

Expenses by function have been allocated among program, supporting services, and development classifications by New Orleans Baptist Theological Seminary's management on the basis of specific identification of costs or other reasonable allocation methods.

### Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (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. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

### Income Taxes

The Seminary is a nonprofit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Seminary's management believes there are no significant uncertain tax positions taken by the Seminary as of July 31, 2019 and 2018 and, accordingly, no liabilities have been recorded.

### Reclassifications

Certain prior year information has been reclassified to conform to current year presentation.

### Date of Management Evaluation

Management has evaluated subsequent events through September 6, 2019, the date on which the consolidated financial statements were available to be issued.

### **Note 2 - CONCENTRATION OF CREDIT**

The Seminary maintains its cash accounts generally with financial institutions located in the Greater New Orleans area. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At July 31, 2019 and 2018, the Seminary had cash balances that exceeded the balance insured by the FDIC by \$492,768 and \$275,589, respectively. The Seminary also maintains cash balances with investment management companies that are not insured.

### **Note 3 - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,182,462	\$ 1,618,131
Accounts receivable	2,831,240	2,806,396
Operating investments	<u>16,399,673</u>	<u>16,638,467</u>
Total financial assets available for general expenditure	<u>\$ 21,413,375</u>	<u>\$ 21,062,994</u>

### **Note 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at July 31, 2019 and 2018 are comprised of the following:

	<u>2019</u>	<u>2018</u>
Student accounts	\$ 2,819,511	\$ 2,782,574
Other accounts	<u>50,084</u>	<u>23,822</u>
Total	<u>\$ 2,869,595</u>	<u>\$ 2,806,396</u>

**Note 5 - INVESTMENTS**

Investments are stated at fair value at July 31, 2019 and 2018 and are summarized as follows:

At July 31, 2019

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investments measured at fair value:			
Investments administered by Baptist Foundations (Pooled):			
Southern Baptist Foundation	\$ 21,544,493	\$ 21,104,426	\$ (440,067)
Baptist Foundation of Texas	831,253	921,887	90,634
Louisiana Baptist Foundation	656,832	658,318	1,486
Baptist Foundation of Alabama	332,507	336,267	3,760
Other private money managers:			
Summit Wealth Management, Inc.:			
Domestic equity securities	2,889,936	3,449,530	609,594
Government bonds	2,468,421	2,355,994	(112,427)
Corporate bonds	5,984,471	6,016,365	31,894
Certificates of deposit	154,000	154,265	265
Short-term cash investments	128,156	128,156	-
Greenwich Investment Management, Inc.:			
Domestic equity securities	13,815,964	11,494,838	(2,321,126)
Government bonds	5,749,691	5,832,688	82,998
Short-term cash investments	640,378	640,378	-
Other	<u>147,238</u>	<u>147,238</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 55,343,340</u>	<u>\$ 53,290,350</u>	<u>\$ (2,052,990)</u>
Investments not measured at fair value:			
Notes receivable		\$ 25,621,417	
Real estate		980,036	
Cash value of life insurance policies		<u>778,221</u>	
Total investments not measured at fair value		<u>\$ 27,379,674</u>	
Total investments		<u>\$ 80,670,024</u>	

The following schedule summarizes investment return and its classification in the statement of activities:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income and net realized gains	\$ 1,347,536	\$ 2,704,247	\$ 4,051,783
Net unrealized gains	<u>556,636</u>	<u>67,099</u>	<u>623,735</u>
Total investment return	<u>\$ 1,904,172</u>	<u>\$ 2,771,346</u>	<u>\$ 4,675,518</u>

At July 31, 2018

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investments measured at fair value:			
Investments administered by Baptist Foundations (Pooled):			
Southern Baptist Foundation	\$ 21,291,231	\$ 20,570,938	\$ (720,294)
Baptist Foundation of Texas	831,253	890,196	58,944
Louisiana Baptist Foundation	642,578	660,213	17,635
Baptist Foundation of Alabama	333,392	328,917	(4,475)
Other private money managers:			
Summit Wealth Management, Inc.:			
Domestic equity securities	2,617,385	3,226,252	608,867
Government bonds	2,738,431	2,480,786	(257,645)
Corporate bonds	5,471,682	5,443,934	(27,748)
Short-term cash investments	59,553	59,553	-
Greenwich Investment Management, Inc.:			
Domestic equity securities	14,270,968	11,977,295	(2,293,673)
Government bonds	4,682,087	4,623,750	(58,337)
Corporate bonds	331,401	331,401	-
Short-term cash investments			



	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Other	<u>147,238</u>	<u>147,238</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 53,417,199</u>	<u>\$ 50,740,473</u>	<u>\$ (2,676,726)</u>
Investments not measured at fair value:			
Notes receivable		\$26,381,551	
Real estate		980,036	
Cash value of life insurance policies		<u>756,676</u>	
Total investments not measured at fair value		<u>\$28,118,263</u>	
Total investments		<u>\$78,858,736</u>	

The following schedule summarizes investment return and its classification in the consolidated statement of activities:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income and net realized gains	\$ 1,863,048	\$ 2,766,933	\$ 4,629,981
Net unrealized gains (losses)	<u>(824,526)</u>	<u>(167,225)</u>	<u>(991,751)</u>
Total investment return	<u>\$ 1,038,522</u>	<u>\$ 2,599,708</u>	<u>\$ 3,638,230</u>

All investment income is available for current operations, except that portion attributable to donor-restricted investments which is required to be reinvested.

Notes receivable included in investments are summarized as follows:

	<u>2019</u>	<u>2018</u>
Notes receivable from related parties	\$ 21,821,417	\$ 22,581,551
Note receivable from sale of North Georgia property, interest accrues monthly at rates from 5.25% to 6.58%, all principal due February 28, 2030, secured by North Georgia Campus real estate	<u>3,800,000</u>	<u>3,800,000</u>
Total	<u>\$ 25,621,417</u>	<u>\$ 26,381,551</u>

#### **Note 6 - FAIR VALUE MEASUREMENT**

The fair value measurement topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under these standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

These standards establish a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the Seminary and unobservable inputs reflect the Seminary's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under these standards must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Seminary for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables present the financial instruments carried at fair value as of July 31, 2019 and 2018, by the codification valuation hierarchy defined above and those investments carried at cost:

<u>July 31, 2019</u>	Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<u>Assets:</u>				
Investments administered				
by Baptist Foundations (Pooled):				
Southern Baptist Foundation	\$ 21,104,426	\$ -	\$ -	\$ 21,104,426
Baptist Foundation of Texas	921,887	-	-	921,887
Louisiana Baptist Foundation	658,318	-	-	658,318
Baptist Foundation of Alabama	336,267	-	-	336,267
Other private money managers:				
Summit Wealth Management, Inc.:				
Domestic equity securities	3,499,530	-	-	3,499,530
Government bonds	2,355,994	-	-	2,355,994
Corporate bonds	6,016,365	-	-	6,016,365
Certificates of Deposit	154,265	-	-	154,265
Short-term cash investments	128,156	-	-	128,156
Greenwich Investment Management, Inc.:				
Domestic equity securities	11,494,838	-	-	11,494,838
Government bonds	5,832,688	-	-	5,832,688
Short-term cash investments	640,378	-	-	640,378
Other	132,909	-	14,329	147,238
<b>Total</b>	<b>\$ 53,276,021</b>	<b>\$ -</b>	<b>\$ 14,329</b>	<b>\$ 53,290,350</b>

<u>July 31, 2018</u>	Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<u>Assets:</u>				
Investments administered				
by Baptist Foundations (Pooled):				
Southern Baptist Foundation	\$ 20,570,938	\$ -	\$ -	\$ 20,570,938
Baptist Foundation of Texas	890,196	-	-	890,196
Louisiana Baptist Foundation	660,213	-	-	660,213
Baptist Foundation of Alabama	328,917	-	-	328,917
Other private money managers:				
Summit Wealth Management, Inc.:				
Domestic equity securities	3,226,252	-	-	3,226,252
Government bonds	2,480,786	-	-	2,480,786
Corporate bonds	5,443,934	-	-	5,443,934
Short-term cash investments	59,553	-	-	59,553
Greenwich Investment Management, Inc.:				
Domestic equity securities	11,977,295	-	-	11,977,295
Government bonds	4,623,750	-	-	4,623,750
Short-term cash investments	331,401	-	-	331,401
Other	132,909	-	14,329	147,238
<b>Total</b>	<b>\$ 50,726,144</b>	<b>\$ -</b>	<b>\$ 14,329</b>	<b>\$ 50,740,473</b>

Investments included in Level 3 primarily consist of the Seminary's ownership in alternative investments.

The methods used to provide values for the above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Seminary believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

#### **Note 7 - PROPERTY AND EQUIPMENT**

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

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 2,926,311	\$ 2,864,614
Leasehold improvements	934,085	934,085
Buildings, furniture, and equipment	36,342,847	35,875,457
Library books and microfilm	<u>2,014,620</u>	<u>2,014,620</u>
Total property and equipment	42,217,863	41,688,776

	<u>2019</u>	<u>2018</u>
Accumulated depreciation	<u>25,476,197</u>	<u>24,696,948</u>
Net property and equipment	<u>\$ 16,741,666</u>	<u>\$ 16,991,828</u>

Depreciation for the years ended July 31, 2019 and 2018 totaled \$878,122 and \$920,556, respectively.

**Note 8 - FUNDS HELD IN TRUST BY OTHERS**

Various Baptist foundations administer perpetual trusts for the benefit of the Seminary. These trusts are neither in the possession nor under the control of the Seminary, but are held and administered by the foundations with the Seminary deriving only income from such funds. Such investments are recorded in the statements of financial position at the fair market value of the principal amounts as of July 31, 2019 and 2018, respectively. The principal amounts are not subject to withdrawal by the Seminary. The total amounts distributed by the trusts to the Seminary for the years ended July 31, 2019 and 2018 were \$81,003 and \$83,718, respectively.

**Note 9 - DEPOSITS AND DEFERRED REVENUE**

Deposits and deferred revenues at July 31, 2019 and 2018 are comprised of the following:

	<u>2019</u>	<u>2018</u>
Deferred tuition and fees	\$ 2,906,774	\$ 2,778,639
Apartment/dorm deposits	<u>27,590</u>	<u>25,710</u>
Total	<u>\$ 2,934,364</u>	<u>\$ 2,804,349</u>

**Note 10 - NET ASSETS**

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

At July 31, 2019

<u>Classification</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment	\$ 11,475,434	\$ 56,393,014	\$ 67,868,448
Investment in physical plant	21,888,256	-	21,888,256
Operating	4,878,676	502,152	5,380,828
Student aid	-	7,525,620	7,525,620
Student loan	-	<u>1,006,718</u>	<u>1,006,718</u>
Total	<u>\$ 38,242,366</u>	<u>\$ 65,427,504</u>	<u>\$ 103,669,870</u>

At July 31, 2018

<u>Classification</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment	\$ 10,466,328	\$ 53,564,246	\$ 64,030,574
Investment in physical plant	22,345,923	-	22,345,923
Operating	5,242,571	355,509	5,598,080
Student aid	-	8,500,642	8,500,642
Student loan	-	<u>961,112</u>	<u>961,112</u>
Total	<u>\$ 38,054,822</u>	<u>\$ 63,381,509</u>	<u>\$ 101,436,331</u>

Endowment consists of resources that have been restricted by the donor, trust, split interest agreements, or designated by the Board for investment to provide future resources to support the Seminary's activities. Endowment funds with donor restrictions that are temporary in nature include unappropriated gains. Endowment operating funds without donor restrictions include funds that have been internally designated for use by various departments and programs throughout the Seminary.

Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of the Seminary has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Seminary classifies amounts required to be maintained in perpetuity as, (a) the original value of gifts donated to the endowment that is perpetual in nature, (b) the original value of the subsequent gifts to the endowment that is perpetual in nature, and (c) accumulations to the endowment that is perpetual in nature made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not required to be maintained in perpetuity is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Changes in endowment net assets for the years ended July 31, 2019 and 2018 consists of the following:

July 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,466,328	\$ 10,424,853	\$ 64,030,574
Investment return:			
Endowment fund income	101,209	612,168	713,377
Other endowment income	391,858	1,153,196	1,545,054
Realized and unrealized gains and losses	522,651	-	522,651
Change in value of funds held in trust by others	-	44,508	44,508
Gifts to funds held in trust by others	-	12,500	12,500
Gifts	87,521	2,543,292	2,630,813
Transfers from other unrestricted funds	197,127	(204,527)	(7,400)
Appropriation of endowment assets for expenditures	<u>(291,260)</u>	<u>(1,332,369)</u>	<u>(1,623,629)</u>
Endowment fund assets, end of year	<u>\$ 11,475,434</u>	<u>\$ 56,393,014</u>	<u>\$ 67,868,448</u>

July 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 11,657,064	\$ 50,987,850	\$ 62,644,914
Investment return:			
Endowment fund income	91,505	595,469	686,974
Other endowment income	887,904	1,360,117	2,248,021
Realized and unrealized gains and losses	(816,632)	-	(816,632)
Change in value of funds held in trust by others	-	135,476	135,476
Gifts to funds held in trust by others	-	12,500	12,500
Gifts	72,128	1,891,097	1,963,225
Transfers from other unrestricted funds	(1,100,510)	28,586	(1,071,924)
Appropriation of endowment assets for expenditures	<u>(325,131)</u>	<u>(1,446,849)</u>	<u>(1,771,980)</u>
Endowment fund assets, end of year	<u>\$ 10,466,328</u>	<u>\$ 53,564,246</u>	<u>\$ 64,030,574</u>

Of the funds held with donor restrictions, \$45,326,387 and \$43,139,393, respectively, are perpetual in nature. During the years ended July 31, 2019 and 2018, the Seminary received gifts to be maintained in perpetuity for the endowment of \$2,543,043 and \$1,890,498, respectively

**Note 11 - RETIREMENT PROGRAM**

The Seminary participates in the retirement program of Guidestone Financial Resources under which the Seminary contributes an amount equal to a percentage of each employee's annual salary. The Seminary's policy is to fund all pension costs in the period earned by the employee. Total pension expenditures for the years ended July 31, 2019 and 2018 were \$300,958 and \$467,316, respectively.

**Note 12 - GIFTS**

The Seminary receives a large portion of its operating revenues from gifts. A substantial portion of the gifts are received from the Cooperative Program of the Southern Baptist Convention. Cooperative Program gifts are recorded ratably over the year based on the annual budget allocation of the Convention. Gifts are summarized as follows:

	<u>Total</u>	<u>Southern Baptist Convention</u>		
		<u>Cooperative Program</u>	<u>Designated</u>	<u>Other</u>
<u>New Orleans Baptist Theological Seminary</u>				
Alabama	\$ 952,262	\$ 689,033	\$ 25	\$ 263,204
Alaska	7,006	6,393	458	155
Arizona	51,465	40,905	-	10,560
Arkansas	386,402	339,878	-	46,524
California	97,442	79,992	-	17,450
Churches – miscellaneous	211,724	210,350	-	1,374
Colorado	29,175	25,325	-	3,850
Connecticut	6,250	-	-	6,250
Dakota Fellowship	4,089	3,539	-	550
District of Columbia	164	-	-	164

	<u>Southern Baptist Convention</u>			
	<u>Total</u>	<u>Cooperative Program</u>	<u>Designated</u>	<u>Other</u>
Florida	893,607	540,497	871	352,239
Georgia	957,877	564,070	6,057	387,750
Hawaii	15,661	8,659	-	7,002
Illinois	96,461	85,393	-	11,068
Indiana	32,665	32,365	-	300
International	1,050	-	-	1,050
Iowa	12,875	12,520	-	355
Kansas and Nebraska	57,577	29,728	564	27,285
Kentucky	388,674	362,900	-	25,774
Louisiana	3,707,908	252,353	465	3,455,090
Maryland and Delaware	62,040	61,990	-	50
Massachusetts	795	-	-	795
Maine	3,150	-	-	3,150
Michigan	20,499	11,534	-	8,965
Minnesota and Wisconsin	188,596	8,596	-	180,000
Misc/Individuals	100	-	-	100
Mississippi	2,199,015	488,354	-	1,750,661
Missouri	238,731	212,744	-	23,590
Montana	7,163	7,138	2,397	25
Nevada	22,923	22,748	-	175
New England	8,273	7,842	-	431
New Hampshire	175	-	-	175
New Jersey	19,500	-	-	19,500
New Mexico	41,761	30,487	-	11,274
New York	16,036	8,826	-	7,210
North Carolina	444,017	420,620	1,655	21,742
Northwest	25,045	25,045	-	-
Ohio	201,598	79,163	-	122,435
Oklahoma	400,514	365,270	-	35,244
Oregon	3,260	-	-	3,260
Pennsylvania and S. Jersey	13,541	12,540	-	1,001
Puerto Rico/Virgin Islands	358	258	-	100
Rhode Island	73,020	-	-	73,020
South Carolina	416,224	399,855	311	16,058
Tennessee	704,306	577,272	2,685	124,349
Texas – BGCT	723,886	377,103	1,382	345,401
Texas – SBTC	552,283	552,283	-	-
Utah and Idaho	7,977	7,827	-	150
Virginia – BGAV	98,369	28,650	-	69,719
Virginia – SBCV	167,105	167,105	-	-
Washington	240	-	-	240
West Virginia	20,153	20,103	-	50
Wyoming	3,978	3,978	-	-
Total	<u>\$ 14,594,965</u>	<u>\$ 7,141,231</u>	<u>\$ 16,870</u>	<u>\$ 7,436,864</u>
<u>New Orleans Baptist Seminary Foundation</u>				
Total	<u>\$ 87,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,770</u>
Consolidated Total	<u>\$ 14,682,735</u>	<u>\$ 7,141,231</u>	<u>\$ 16,870</u>	<u>\$ 7,524,634</u>

Gifts are summarized in the statement of activities as follows:

Southern Baptist Convention - Cooperative Program	\$ 7,141,231
Other	<u>7,541,504</u>
Total	<u>\$ 14,682,735</u>

**Note 13 - RELATED-PARTY TRANSACTIONS**

The Seminary's relationship with Providence Housing Corporation and Providence Educational Foundation is considered to be a related-party relationship. Both the Corporation and the Foundation have an economic interest in the Seminary in that the activities of the Corporation and the Foundation are solely for the benefit of the Seminary. However, the Seminary does not have a controlling financial interest in the two organizations. The organizations are self-sustaining with self-perpetuating Boards of Trustees. Consequently, neither the Corporation nor the Foundation has been consolidated with

the Seminary. The terms of the activities are equivalent to those that prevail in arm's-length transactions. The following summarizes financial information related to the Seminary, the Corporation, and the Foundation.

#### Accounts Receivable/Payable

The Seminary has various accounts receivable/payable with Providence Housing Corporation and Providence Educational Foundation, which are related parties. Both the Corporation and the Foundation are operated for the benefit of the Seminary. As of July 31, 2019 and 2018, the following accounts receivable/payable existed:

	<u>2019</u>	<u>2018</u>
Accounts receivable:		
Providence Housing Corporation	\$ 677,071	\$ 1,115,854
Providence Education Foundation	<u>128,323</u>	<u>496,943</u>
Total	<u>\$ 805,394</u>	<u>\$ 1,612,797</u>
Accounts payable		
Providence Housing Corporation	\$ -	\$ 20,344
Providence Education Foundation	<u>-</u>	<u>757,008</u>
Total	<u>\$ -</u>	<u>\$ 777,352</u>

#### Notes Receivable

Notes receivable from related parties as of July 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
<u>Providence Housing Corporation</u>		
New Orleans Baptist Theological Seminary 3.5% term note, due on demand, unsecured	\$ 382,000	\$ 382,000
New Orleans Baptist Theological Seminary 7% note with monthly installments of \$11,643, due January 2044, unsecured	1,632,818	1,657,295
New Orleans Baptist Theological Seminary 7% note with monthly installments of \$8,180, due February 2025, unsecured	452,585	516,613
New Orleans Baptist Seminary Foundation 7% note with monthly installments of \$26,987, due June 2034, unsecured	2,992,836	3,102,075
New Orleans Baptist Theological Seminary 7% note with monthly installments of \$10,649, due January 2034, unsecured	1,161,473	1,206,229
New Orleans Baptist Seminary Foundation 7% note with monthly installments of \$22,769, due August 2028, unsecured	1,832,719	1,972,311
New Orleans Baptist Theological Seminary 7% note with monthly installments of \$25,399, due February 2035, unsecured	2,885,270	2,984,253
New Orleans Baptist Seminary Foundation 7% note with monthly installments of \$33,265, due April 2036, unsecured	3,941,367	4,060,102
New Orleans Baptist Theological Seminary 7% note with monthly installments of \$33,265, due July 2035, unsecured	3,835,884	3,961,735
New Orleans Baptist Seminary Foundation 6% note, with monthly installments of \$10,622, due July 2048, unsecured	1,749,893	1,771,648
	<u>2019</u>	<u>2018</u>
New Orleans Baptist Theological Seminary 6% note with monthly installments of \$2,548, due August 1, 2040, unsecured	<u>365,330</u>	<u>373,712</u>
	<u>21,232,175</u>	<u>21,987,973</u>
<u>Providence Educational Foundation</u>		
New Orleans Baptist Theological Seminary 7% note, interest due monthly, principal due on or before December 2019, unsecured	300,000	300,000
New Orleans Baptist Theological Seminary 7% note with monthly installments of \$2,062, due January 2044	<u>289,242</u>	<u>293,578</u>
	<u>589,242</u>	<u>593,578</u>
Total notes receivable	<u>\$21,821,417</u>	<u>\$22,581,551</u>

The above notes receivable from related parties are included in investments on the Seminary's consolidated statement of financial position.

#### Lease Agreements

##### Providence Housing Corporation

The Seminary leases all of the property of the Corporation, which consists of apartment and residential rental units, land and copiers. Under the terms of the lease, which is a year-to-year lease, the Seminary paid annual rentals of \$2,995,665 and \$2,547,466 for 2019 and 2018, respectively.

#### Providence Educational Foundation

The Seminary leases facilities from the Foundation to house the Nelson L. Price Center for Urban Ministries and the Florida Apartments. Rent paid in 2019 and 2018 by the Seminary to the Foundation for these facilities totaled \$30,000 and \$508,200, respectively.

#### Contracted Services

##### Providence Educational Foundation

The Foundation contracts with the Seminary to provide services for radio station and rental operations. These services include personnel costs, rent and other costs. The amount reimbursed to the Seminary for 2019 and 2018 totaled \$887,658 and \$769,102, respectively.

##### Other Support

The Seminary received \$264,000 and \$80,000 during the years ended July 31, 2019 and 2018, respectively, from Providence Educational Foundation for the general needs of the Seminary.

#### Summary of Financial Information

A summary of financial information at July 31, 2019 and 2018 for Providence Housing Corporation and Providence Educational Foundation is as follows:

	<u>2019</u>		<u>2018</u>	
	Providence Housing <u>Corporation</u>	Providence Educational <u>Foundation</u>	Providence Housing <u>Corporation</u>	Providence Educational <u>Foundation</u>
Total assets	<u>\$ 35,081,444</u>	<u>\$ 8,198,987</u>	<u>\$ 35,162,987</u>	<u>\$ 8,475,733</u>
Total liabilities	<u>\$ 26,555,222</u>	<u>\$ 762,564</u>	<u>\$ 27,842,870</u>	<u>\$ 1,090,522</u>
Net assets	<u>\$ 8,526,222</u>	<u>\$ 7,436,423</u>	<u>\$ 8,320,117</u>	<u>\$ 7,385,211</u>
Revenue	<u>\$ 3,016,662</u>	<u>\$ 1,373,416</u>	<u>\$ 2,552,399</u>	<u>\$ 1,518,512</u>
Expenses	<u>\$ 2,810,577</u>	<u>\$ 1,322,205</u>	<u>\$ 2,376,548</u>	<u>\$ 1,394,158</u>

#### **Note 14 - RISKS AND UNCERTAINTIES**

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 certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect investment account balances included in the Seminary's consolidated financial statements.

#### **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees

New Orleans Baptist Theological Seminary

We have audited the accompanying consolidated financial statements of New Orleans Baptist Theological Seminary, which comprise the statements of financial position as of July 31, 2019 and 2018, and the related 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 Consolidated 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.

#### **Auditor's 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 require 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 New Orleans Baptist Theological Seminary as of July 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information listed in the table of contents are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

MWH GROUP, P.C.  
Wichita Falls, Texas  
September 17, 2019