



ASBURY *theological*
SEMINARY

THE WHOLE BIBLE FOR THE WHOLE WORLD

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2023 AND 2022

ASBURY THEOLOGICAL SEMINARY

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Asbury Theological Seminary
Wilmore, Kentucky

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Asbury Theological Seminary (the "Seminary"), a nonprofit organization, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Seminary as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended are in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Seminary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information in the schedule of consolidating statement of financial position and consolidating statement of activities on pages 36 and 37 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on pages 38 and 39 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The financial responsibility composite score supplemental schedule on pages 40 through 42 is also presented for purposes of additional analysis as required by the U.S. Department of Education and is not a required part of 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, October 23, 2023, on our consideration of the Seminary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Seminary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seminary's internal control over financial reporting and compliance.

Blue & Co., LLC

Lexington, Kentucky
October 23, 2023

ASBURY THEOLOGICAL SEMINARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

	ASSETS	
	2023	2022
Current assets		
Cash and cash equivalents	\$ 9,256,580	\$ 60,604,822
U.S. government securities	48,758,557	-0-
Accrued income receivable	729,716	116,849
Accounts receivable, less allowance of \$100,000	2,522,671	2,360,019
Contributions receivable, less allowance of \$50,000	651,925	1,527,899
Student loans receivable	6,650	29,750
Inventories	806,722	832,654
Prepaid expenses	340,304	257,681
Total current assets	63,073,125	65,729,674
Non-current assets		
Contributions receivable	1,284,035	2,489,328
Student loans receivable	331,181	378,087
Investments	213,338,493	213,136,183
Funds held in trusts by others	2,263,022	2,197,079
Property, plant, and equipment, net	81,093,761	79,588,332
Total non-current assets	298,310,492	297,789,009
Total assets	\$ 361,383,617	\$ 363,518,683

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS		
	2023	2022
Current liabilities		
Accounts payable and payroll liabilities	\$ 1,855,394	\$ 904,616
Accrued expenses	13,246	15,657
Student deposits and agency funds	1,113,425	1,004,947
Other liabilities	812,713	744,433
Total current liabilities	<u>3,794,778</u>	<u>2,669,653</u>
Non-current liabilities		
Annuities payable	1,616,522	1,767,285
Trust obligations	831,403	845,366
Total non-current liabilities	<u>2,447,925</u>	<u>2,612,651</u>
Total liabilities	<u>6,242,703</u>	<u>5,282,304</u>
Net assets		
Without donor restrictions		
Undesignated	10,878,983	8,625,870
Board designated	8,167,332	9,059,929
Net investment in plant	81,093,761	79,588,332
Total net assets without donor restrictions	<u>100,140,076</u>	<u>97,274,131</u>
With donor restrictions		
Time restricted for future periods	1,382,777	2,552,699
Purpose restricted	130,053,981	137,807,888
Perpetual in nature	123,564,080	120,601,661
Total net assets with donor restrictions	<u>255,000,838</u>	<u>260,962,248</u>
Total net assets	<u>355,140,914</u>	<u>358,236,379</u>
Total liabilities and net assets	<u><u>\$ 361,383,617</u></u>	<u><u>\$ 363,518,683</u></u>

See accompanying notes to consolidated financial statements.

ASBURY THEOLOGICAL SEMINARY

CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues, gains, and other support:			
Tuition and fees	\$ 16,655,520	\$ -0-	\$ 16,655,520
Less scholarship allowances	(9,337,717)	-0-	(9,337,717)
Tuition and fees, net	7,317,803	-0-	7,317,803
Private gifts and grants	3,682,313	5,209,033	8,891,346
Publishing	2,672,595	-0-	2,672,595
Conference registration	684,377	-0-	684,377
Other revenue	1,514,043	28,256	1,542,299
Investment return designated for current operations	3,505	8,662,331	8,665,836
Sales and service of auxiliary enterprises	2,207,776	466,930	2,674,706
Total revenues and gains	18,082,412	14,366,550	32,448,962
Net assets released from restrictions	17,840,191	(17,840,191)	-0-
Total revenues, gains, and other support	35,922,603	(3,473,641)	32,448,962
Expenses:			
Program services:			
Instruction	10,315,772	-0-	10,315,772
Academic support	4,038,432	-0-	4,038,432
Student services	3,554,604	-0-	3,554,604
Public service	71,900	-0-	71,900
Publishing and conference	3,873,877	-0-	3,873,877
Auxiliary enterprises	5,057,111	-0-	5,057,111
Total program services	26,911,696	-0-	26,911,696
Supporting services:			
Management and general	5,767,306	-0-	5,767,306
Fundraising and development	1,466,280	-0-	1,466,280
Total expenses	34,145,282	-0-	34,145,282
Changes in net assets from operating activities	1,777,321	(3,473,641)	(1,696,320)
Non-operating			
Private gifts and grants	39,938	2,060,327	2,100,265
Annuity and life income agreements	516,164	23,462	539,626
Investment return (loss)	175,255	(4,960,371)	(4,785,116)
Transfer of previously donor restricted funds	(145,665)	145,665	-0-
Change in value of funds held in trust by others	-0-	65,943	65,943
Other revenue	678,756	1,381	680,137
Net assets released from restrictions	(175,824)	175,824	-0-
Changes in net assets from non-operating activities	1,088,624	(2,487,769)	(1,399,145)
Changes in net assets	2,865,945	(5,961,410)	(3,095,465)
Net assets at the beginning of year	97,274,131	260,962,248	358,236,379
Net assets at the end of the year	\$ 100,140,076	\$ 255,000,838	\$ 355,140,914

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues, gains, and other support:			
Tuition and fees	\$ 17,360,841	\$ -0-	\$ 17,360,841
Less scholarship allowances	(8,483,084)	-0-	(8,483,084)
Tuition and fees, net	8,877,757	-0-	8,877,757
Private gifts and grants	3,738,529	25,256,629	28,995,158
Publishing	1,496,194	-0-	1,496,194
Conference registration	537,837	-0-	537,837
Other revenue	391,614	45,945	437,559
Investment return designated for current operations	2,586	11,666,456	11,669,042
Sales and service of auxiliary enterprises	2,079,005	471,848	2,550,853
Total revenues and gains	17,123,522	37,440,878	54,564,400
Net assets released from restrictions	17,678,230	(17,678,230)	-0-
Total revenues, gains, and other support	34,801,752	19,762,648	54,564,400
Expenses:			
Program services:			
Instruction	9,686,738	-0-	9,686,738
Academic support	3,868,317	-0-	3,868,317
Student services	3,033,374	-0-	3,033,374
Public service	24,424	-0-	24,424
Publishing and conference	3,110,461	-0-	3,110,461
Auxiliary enterprises	4,454,851	-0-	4,454,851
Total program services	24,178,165	-0-	24,178,165
Supporting services:			
Management and general	5,092,716	-0-	5,092,716
Fundraising and development	1,687,484	-0-	1,687,484
Total expenses	30,958,365	-0-	30,958,365
Changes in net assets from operating activities	3,843,387	19,762,648	23,606,035
Non-operating			
Private gifts and grants	5,467	3,913,868	3,919,335
Annuity and life income agreements	(931,229)	122,474	(808,755)
Investment return (loss)	(263,209)	7,632,750	7,369,541
Change in value of funds held in trust by others	-0-	(569,331)	(569,331)
Other revenue	934,011	1,100	935,111
Net assets released from restrictions	(159,630)	159,630	-0-
Changes in net assets from non-operating activities	(414,590)	11,260,491	10,845,901
Changes in net assets	3,428,797	31,023,139	34,451,936
Net assets at the beginning of year	93,845,334	229,939,109	323,784,443
Net assets at the end of the year	\$ 97,274,131	\$ 260,962,248	\$ 358,236,379

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Changes in net assets	\$ (3,095,465)	\$ 34,451,936
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	2,762,582	2,663,043
Actuarial adjustment to annuity and trust obligations	68,670	132,566
Change in value of funds held in trust held by others	(65,943)	545,811
Net unrealized and realized losses (gains) on investments	(1,424,124)	(9,822,406)
Cash contributions restricted for capital improvements and endowment investment	(2,100,265)	(3,919,335)
Noncash contributions received	(937,137)	(937,137)
Proceeds from sale of donated securities	957,481	957,481
Net change in operating assets and liabilities:		
Accrued income receivable	(612,867)	(81,606)
Accounts receivable	(162,652)	207,423
Contributions receivable	2,081,267	(1,600,098)
Inventories	25,932	24,366
Prepaid expenses	(82,623)	164,834
Other assets	-0-	12,647
Accounts payable and payroll liabilities	950,778	(88,970)
Accrued expenses	(2,411)	15,657
Deposits and agency funds	108,478	38,356
Other liabilities	68,280	(18,555)
Interest payable	-0-	(11,585)
Trust obligations	(13,963)	-0-
Net cash flows from operating activities	(1,473,982)	22,734,428
Cash Flows from Investing Activities		
Purchases of investments	(153,266,409)	(63,771,271)
Proceeds from sales and maturities of investments	105,709,322	64,002,177
Purchase of property, plant, and equipment	(4,268,011)	(2,210,770)
Proceeds from disposal of property, plant, and equipment	-0-	990,152
Student loans	(68,107)	(4,999)
Student loan repayments	138,113	73,584
Net cash flows from investing activities	(51,755,092)	(921,127)

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows from Financing Activities		
Cash contributions restricted for capital improvements and endowment investment	2,100,265	3,919,335
Proceeds received on annuity agreements	26,629	7,019
Contractual payments on annuity obligations	(246,062)	(325,638)
Contractual payments on trust obligations	-0-	(141,680)
Principal payments on notes payable	-0-	(4,336,872)
Net cash flows from financing activities	<u>1,880,832</u>	<u>(877,836)</u>
Net change in cash and cash equivalents	(51,348,242)	20,935,465
Cash and cash equivalents at beginning of year	<u>60,604,822</u>	<u>39,669,357</u>
Cash and cash equivalents at end of year	<u>\$ 9,256,580</u>	<u>\$ 60,604,822</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest net of amounts capitalized	<u>\$ -0-</u>	<u>\$ 137,933</u>
<u>Noncash investing and financing activities:</u>		
Donated securities	<u>\$ 937,137</u>	<u>\$ 937,137</u>

See accompanying notes to consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. NATURE OF ACTIVITIES

Asbury Theological Seminary is an interdenominational graduate school of theology. The Seminary was established in 1923 and is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and the Association of Theological Schools to award masters and doctoral degrees. The Seminary operates its main campus in Wilmore, Kentucky, along with instructional sites in Orlando and Tampa, Florida; Memphis, Tennessee; Tulsa, Oklahoma, and Colorado Springs, Colorado, as well as a robust online presence, all of which allow the Seminary to serve a diverse student body from around the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Seminary are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

Basis of Consolidation

The consolidated financial statements include those of Asbury Theological Seminary ("Asbury"), Asbury Foundation for Theological Education, Inc. ("Foundation"), and Seedbed, Inc. ("Seedbed"), which are collectively referred to as the "Seminary". The Foundation and Seedbed are both wholly owned subsidiaries of Asbury. Intercompany transactions and balances are eliminated upon consolidation.

Asbury Foundation for Theological Education, Inc. (the "Foundation") was formed in November 1988 exclusively for the benefit of Asbury and to support its mission and activities. The Foundation is authorized to perform the functions of planned giving, wills and estates, trusts, and other charitable activities that benefit the Seminary.

Seedbed, Inc. ("Seedbed") was formed in April 2021 to gather, connect, and resource Christian people for the purpose of discipleship to sow for a great awakening. Seedbed's revenue is primarily

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

generated from publishing sales of resource materials related to this purpose, conference registrations and contributions.

Estimates

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

Cash and Cash Equivalents

Cash equivalents are stated at cost, which approximates market value. Cash equivalents consist of short term, highly liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable include student accounts receivable and other receivables. Student accounts receivable represent unsecured amounts due for tuition, fees, and room and board from currently enrolled and former students. 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 previous experience. 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.

Student Loans Receivable

Student loans receivable consists of amounts loaned to students based on demonstrated financial need. These loans receivable are carried at unpaid principal balances, less an allowance for uncollectible loans. Management's periodic evaluation of the adequacy of the allowance is based primarily on the Seminary's past loan loss experience, specific impaired loans, and adverse situations that may affect the borrower's ability to repay. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with contractual terms. The allowance represents an amount which in management's judgment, is sufficient to absorb loans that may ultimately be written off. No allowance for uncollectible loans is reflected in the accompanying financial statements as of and for the years ended June 30, 2023 and 2022. Management has determined that such an allowance would not be material.

The Seminary's practice is to write off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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borrower's deteriorating or deteriorated financial condition, or for other reasons. As the Seminary determines that loans are uncollectible, the loans are written off.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off. Interest income on nonaccrual loans is recognized only to the extent cash payment is received.

Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

Inventories

Inventories consist of literature, maintenance, and other supply items and are stated at the lower of cost or net realizable value, with cost being primarily average cost.

Investments

Investments in certificates of deposits are stated at original deposit plus accrued interest. Investments in marketable equity and fixed income securities are valued at the closing price reported on the active market on which the individual securities are traded. For certain thinly-traded equity and fixed income securities, market prices are obtained from the Seminary's investment managers. Mutual and exchange traded funds are carried at fair values based on the daily closing price as reported by the funds.

Alternative investments, which are not readily marketable, are carried at net asset value (NAV) of the units of the investment, as provided by the investment manager, as a practical expedient to estimate fair value.

Investments in real estate are stated at the lower of cost or market as determined by appraisals or management estimates. Investments in rental real estate are stated at the lower of carrying value or market as determined by appraisals or management estimates. Other investments are recorded at cost, or in the case of gifts, at fair value at the date of acquisition.

Investment Pools

The Seminary maintains pooled investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from investments in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Funds Held in Trust by Others

Funds held in trust by others include investments held in irrevocable trusts and administered by trustees, which are neither in the possession of nor under the control of the Seminary. Certain of these trusts are held under an arrangement where the Seminary receives income earned on the trust assets in perpetuity but will never receive the assets held in trust. These investments are recorded at management's estimate of the present value of the future cash flows, which represents the fair value of the trust assets.

Annuities Payable and Trust Obligations

Assets recorded under split interest agreements are recorded at fair value of the investments held under such agreements, which represents management's estimate of the present value of expected future cash flows. Annuity and trust obligations are calculated and recorded using discount rates and actuarial assumptions as supplied by the American Council on Gift Annuities, which represents the fair value of expected future cash flows from the Seminary to beneficiaries.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost net of accumulated depreciation. Items with a cost of greater than \$1,000 and a useful life in excess of one year are capitalized. Contributed property and equipment is recorded at fair value at the date of donation. The contributions are recorded as restricted support if a donor stipulates how long the assets must be used. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

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

Buildings, residences, and other structures	50 - 100 years
Equipment	10 years
Library books	10 years
Computers and software	5 years

Interest Capitalized

The Seminary follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment during construction.

Revenue Recognition

The Seminary recognizes tuition revenue over the applicable period of instruction. The Seminary enters contracts with students covering a semester or courses. Revenue recognition begins once a student starts attending a course. The Seminary has no costs that are capitalized to obtain or to fulfill

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

a contract with customers. Auxiliary revenues include room and board revenues that are recognized over the period the services are provided. For the year ended June 2021, the balance of accounts receivables, net, was approximately \$5,461,000.

The Seminary's receivables (contract receivables) represent unconditional rights to consideration from its contracts with students; accordingly, the revenue recognition process commences when they start attending their courses. Students are invoiced and payment is due prior to the start of the term. Included in each invoice to the student are all educational related items, including tuition net of scholarships and fees. The Seminary's contract liabilities are reported as other liabilities in the statement of financial position. Contract liabilities and student deposits in any period represent the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the statements of activities.

The Seminary identifies a performance obligation associated with the provision of its educational instruction and auxiliary services and uses the output measure for recognition as the period of time over which the services are provided to its students. The Seminary maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. These amounts are immaterial for the fiscal years ended June 30, 2023 and 2022. The Seminary did not record revenue on amounts that may be refunded. However, for students that take out financial aid to pay their tuition, and for which a return of such money to the Department of Education under Title IV is required as a result of his or her withdrawal, the Seminary reassesses collectability.

Tuition and Fees

Tuition and fees, as set annually by the Board of Trustees, represent revenue from contracts with customers. They are recognized in the applicable enrollment period which includes revenue deferred in a prior academic year. Because the Seminary has not incurred any additional cost in providing financial aid to students, institutional scholarship allowances are recorded as a reduction of tuition and fees rather than as an expense of the Seminary.

Contributions

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. Federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. A donor's indication of an intention to give at a future date is not recognized as revenue until the intention is communicated as an unconditional promise to give. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises

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are to be received, less an allowance for uncollectible receivables. Management's periodic evaluation of the adequacy of the allowance is based on its assessment of the current and historic collection history of the Seminary. An allowance for uncollectible contributions is reflected in the accompanying consolidated financial statements as of and for the years ended June 30, 2023 and 2022.

Publishing

Revenue from publishing sales is recognized at a point in time when control has transferred to the customer. Generally, revenue recognition requirements are met when title to the product has transferred to the customer.

Conference Registration

Conference registrations are recognized in the period in which the event is held. Each registration is generally accounted for as a single unit of account (a single performance obligation) and are not grouped together. Registrations generally open a few months prior to an event and any amount received prior to an event is recognized as a contract liability on the statement of financial position.

Expiration of Donor Restrictions

The expiration of a donor restriction for contributions or endowment investment income is recognized in the period in which the restriction expires, and at that time the related resources are reclassified to net assets without donor restriction. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Seminary follows the policy of reporting donor restricted contributions and donor restricted investment income as donor restricted support or income and then released from restriction if the restriction is met in the same period as received or earned.

New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02 *Leases (Topic 842)*. This pronouncement was applicable for the year ended June 30, 2023, however, it had no material impact on the financial statements, therefore no changes in reporting or material presentation was made for this year.

Subsequent Events

The Seminary evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through October 23, 2023, which is the date the consolidated financial statements were available to be issued.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30:

	2023	2022
Amounts due in less than one year	\$ 651,925	\$ 1,527,899
Amounts due from one to five years	1,081,963	2,390,157
Amounts due in more than five years	400,000	400,000
	<u>2,133,888</u>	<u>4,318,056</u>
Less allowance for uncollectible pledges	50,000	50,000
Less unamortized discount	147,928	250,829
Net contributions receivable	<u>\$ 1,935,960</u>	<u>\$ 4,017,227</u>

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Seminary has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Money market mutual funds: Generally, transact subscription and redemption activity at a \$1 stable net asset value (NAV), however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual and exchange traded funds: Valued at the daily closing price as reported by the fund. Mutual and exchange traded funds held by the Seminary are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The funds held by the Seminary are deemed to be actively traded.

Other investments: Valued using pricing models maximizing the use of observable inputs for similar assets and securities.

Alternative investments: Valued at the NAV of units of the investee. The NAV, as provided by the investment manager, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the investee less its liabilities. Due to the nature of the investments held by the investee, changes in market conditions and the economic environment may significantly impact the net asset value of the investee and, consequently, the fair value of the Seminary's interests in the investee.

Funds held in trust by others: Valued at fair value as reported by the trustee, which represents the Seminary's pro rata interest in the net assets of the trust, substantially all of which are valued on a mark-to-market basis.

Annuity and trust obligations: Calculated and recorded using discount rates and actuarial assumptions as supplied by the American Council on Gift Annuities, which represents the fair value of expected future cash flows from the Seminary to beneficiaries.

U.S. government securities - Valued using pricing models maximizing the use of observable inputs for similar securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although 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 investments could result in different fair value measurements at the reporting date.

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The following tables set forth by level within the fair value hierarchy investment assets and liabilities as of June 30, 2023 and 2022, and the changes in fair value of the Seminary's Level 3 investments assets for the years then ended.

Fair value measurements as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Money market mutual funds	\$ -0-	\$ 19,936,170	\$ -0-	\$ 19,936,170
Common stocks:				
Consumer discretionary	575,026	-0-	-0-	575,026
Energy	216,834	-0-	-0-	216,834
Financials	140,608	-0-	-0-	140,608
Health Care	931,401	-0-	-0-	931,401
Industrials	1,095,421	-0-	-0-	1,095,421
Information Technology	2,623,103	-0-	-0-	2,623,103
Real Estate	86,313	-0-	-0-	86,313
Telecommunication Services	804,446	-0-	-0-	804,446
Mutual and exchange traded funds (ETF):				
Equity				
Large	20,436,875	-0-	-0-	20,436,875
Small/mid	25,719,779	-0-	-0-	25,719,779
Other	2,635,050			2,635,050
Fixed Income				
Intermediate	12,352,197	-0-	-0-	12,352,197
U.S. government securities	-0-	48,758,557	-0-	48,758,557
ETF				
Large	4,652,233	-0-	-0-	4,652,233
Intermediate	1,428,963	-0-	-0-	1,428,963
Other investments	-0-	531,888	-0-	531,888
Funds held in trust by others	-0-	-0-	2,263,022	2,263,022
Total investments and funds held in trust by others at fair value	<u>\$ 73,698,249</u>	<u>\$ 69,226,615</u>	<u>\$ 2,263,022</u>	145,187,886
Alternative investments*				117,157,488
Other				1,063
Cash				<u>2,013,635</u>
Total investments and funds held in trust by others				<u>\$ 264,360,072</u>
Liabilities at fair value:				
Annuities payable	\$ -0-	\$ 1,616,522	\$ -0-	\$ 1,616,522
Trust obligations	-0-	831,403	-0-	831,403
Total liabilities at fair value	<u>\$ -0-</u>	<u>\$ 2,447,925</u>	<u>\$ -0-</u>	<u>\$ 2,447,925</u>

*Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The carrying amounts presented in the above tables are intended to permit reconciliation of the fair value to the line items presented in the statement of financial position.

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Fair value measurements as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Money market mutual funds	\$ -0-	\$ 20,291,626	\$ -0-	\$ 20,291,626
Common stocks:				
Consumer discretionary	235,454	-0-	-0-	235,454
Energy	193,042	-0-	-0-	193,042
Financials	103,269	-0-	-0-	103,269
Healthcare	729,097	-0-	-0-	729,097
Industrials	717,982	-0-	-0-	717,982
Information technology	2,009,253	-0-	-0-	2,009,253
Real Estate	84,130	-0-	-0-	84,130
Telecommunication services	626,199	-0-	-0-	626,199
Mutual and exchange traded funds (ETF):				
Equity				
Large	17,094,901	-0-	-0-	17,094,901
Small/mid	26,020,661	-0-	-0-	26,020,661
Other	145,590	-0-	-0-	145,590
Fixed Income				
Intermediate	12,409,346	-0-	-0-	12,409,346
Other	7,544,790	-0-	-0-	7,544,790
ETF				
Large	4,982,733	-0-	-0-	4,982,733
Intermediate	1,698,241	-0-	-0-	1,698,241
Other investments	-0-	531,888	-0-	531,888
Funds held in trust by others	-0-	-0-	2,197,079	2,197,079
Total investments and funds held in trust by others at fair value	<u>\$ 74,594,688</u>	<u>\$ 20,823,514</u>	<u>\$ 2,197,079</u>	97,615,281
Alternative investments*				115,824,305
Other				1,063
Cash				1,892,613
Total investments and funds held in trust by others				<u>\$ 215,333,262</u>
Liabilities at fair value:				
Annuities payable	\$ -0-	\$ 1,767,285	\$ -0-	\$ 1,767,285
Trust obligations	-0-	845,366	-0-	845,366
Total liabilities at fair value	<u>\$ -0-</u>	<u>\$ 2,612,651</u>	<u>\$ -0-</u>	<u>\$ 2,612,651</u>

*Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The carrying amounts presented in the above tables are intended to permit reconciliation of the fair value to the line items presented in the statement of financial position.

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Changes in Level 3 assets and liabilities during the years ended June 30:

	2023	2022
Beginning balance	\$ 2,197,079	\$ 2,742,890
Investment return/(loss), net	65,943	(545,811)
Total	<u>\$ 2,263,022</u>	<u>\$ 2,197,079</u>

Distributions from each of the proprietary funds will be received as the underlying investment of the limited partnership is realized. It is estimated that the underlying assets of the limited partnerships will be realized over the next 1 – 10 years. It is probable that all of the investments in limited partnerships will be sold at an amount different from the net asset value listed due to market and credit risk associated with these investments at the time of disposition.

The following tables summarize alternative investments stated at net asset value by investment category, strategy and redemption frequency:

Alternative investment category, redemption frequency	Funds	2023	2022	Unfunded Commitments
Hedge funds:				
Hedge fund, annually (1)	3	\$ 13,108,661	\$ 14,641,742	\$ -0-
Hedge fund, quarterly (1)	1	1,266,025	1,287,980	-0-
Hedge fund, monthly (1)	2	40,856	102,495	-0-
Commingled equity funds (6)	3	12,584,745	11,647,308	69,203
Proprietary funds:				
Private equity fund, monthly (2)	1	3,325,029	2,815,197	750,000
Private equity fund, non-redeemable (2)	18	41,593,939	37,334,718	11,908,213
Real estate fund, non-redeemable (3)	12	28,303,523	26,485,379	6,980,247
Timberland fund, non-redeemable (4)	1	21,692	88,560	-0-
Venture capital fund of funds, non-redeemable (5)	3	16,913,018	21,420,926	12,799,418
	<u>44</u>	<u>\$ 117,157,488</u>	<u>\$ 115,824,305</u>	<u>\$ 32,507,081</u>

- (1) This category includes investment in multiple funds. Funds invest in publicly traded equity securities issued by non-U.S. companies. Other funds are feeder funds which invest in a master fund. The master funds employ multiple strategies which include but are not limited to the following: private investments, hedge fund strategies, opportunistic equity, enhanced fixed income, absolute return, and tactical trading. While others seek to generate capital appreciation over the long term through a portfolio having a diversified risk profile with relatively low volatility and a low correlation with traditional equity and fixed income markets. The fair values of the investments in this category have been estimated using the net asset value per share of the fund.

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- (2) This category includes funds which emphasize private equity while also looking to buyouts, venture capital, special situations, distressed securities and other non-traditional categories where there is a belief that the risk adjusted returns or diversification benefits from such categories may be compelling.
- (3) This category includes funds which seek superior returns through investments in undervalued or inappropriately capitalized U.S. and non-U.S. real estate assets and portfolios, and corporate real estate. The underlying real estate investments are valued at fair value which is determined based on the funds allocable share of the underlying entities partner's capital pursuant to the distribution provisions provided for in the underlying joint venture or operating agreements.
- (4) This category includes a fund which invests primarily in timberland assets. The underlying real estate assets are primarily valued using any or all of the following three methods, performed annually by independent appraisers; sales comparison approach; cost approach; and income approach.
- (5) This category includes a venture capital fund of funds which invests primarily in U.S. venture and growth capital funds.
- (6) This category includes funds which invest in multiple equity investments to benefit from a economy of scale.

The Seminary has a number of financial instruments, none of which are held for trading purposes. The Seminary estimates that the fair value of its financial instruments at June 30, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position..

The Seminary maintains pooled investment accounts for its donor-restricted and board-designated endowments. The carrying value of the pooled investment accounts, at June 30, 2023 and 2022, included in investments above was \$201,636,906 and \$203,728,905, respectively.

The Seminary holds investments which are exposed to various risks such as interest rate, market, and credit risk. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

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5. FUNDS HELD IN TRUSTS BY OTHERS

Funds held in trusts by others consist of the following at June 30:

	2023	2022
Residual interest in trusts held by others:		
Newman and Lena Harris Theological		
Memorial Fund	\$ 247,041	\$ 236,064
Beeson Memorial Scholarship Fund	578,834	563,598
Sallie Maude Jones Fund	279,396	272,118
Viola B. McEwen Trust	1,008,879	996,695
The Howard and Zeta Orchard		
Charitable Trust	148,872	128,604
Total	<u>\$ 2,263,022</u>	<u>\$ 2,197,079</u>

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant, and equipment, net consist of the following at June 30:

	2023	2022
Land	\$ 5,496,710	\$ 5,496,710
Buildings	94,749,569	94,749,569
Furniture, fixtures, and equipment	27,954,738	27,101,526
Library books	12,412,581	11,860,437
	<u>140,613,598</u>	<u>139,208,242</u>
Accumulated depreciation	<u>(62,382,492)</u>	<u>(59,619,910)</u>
Property, plant, and equipment, net	<u>\$ 81,093,761</u>	<u>\$ 79,588,332</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$2,762,582 and \$2,663,043, respectively.

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7. LINE OF CREDIT

The Seminary has available an unsecured on demand line of credit with a bank which provides for borrowings up to \$7,000,000. The purpose of the line of credit is to provide cash flow for operations. Interest is payable monthly at an optional rate as requested by the Seminary of either LIBOR plus 1.70% or the bank's base rate as further defined in the line of credit agreement. Any outstanding borrowings are due upon demand. No amounts were outstanding at June 30, 2023 and 2022.

8. ANNUITIES PAYABLE AND TRUST OBLIGATIONS

Contributions received by the Seminary under gift annuity and life income agreements are recorded at fair value at the date of the contribution. Under the terms of these agreements, the Seminary holds the assets contributed and makes periodic payments of a fixed amount to the annuitant or beneficiary for the remainder of the annuitant's or beneficiary's lifetime. Total assets held under gift annuity agreements at June 30, 2023 and 2022, amount to \$5,030,380 and \$5,667,901, respectively. Total assets recorded under life income agreements at June 30, 2023 and 2022 amount to \$-0-. Annuities payable and trust obligations are carried at fair value measured as the net present value of the obligations and calculated using the applicable federal rates, which range from 4% to 6%, and life expectancy tables. Annuities payable total \$1,616,521 and \$1,767,285 at June 30, 2023 and 2022, respectively. Trust obligations under life income agreements total \$831,403 and \$845,366 at June 30, 2023 and 2022, respectively.

To accept annuities written in the state of Wisconsin, the Seminary is required by state law to limit investments in the common stock of a single corporation to 3% of total investments, and investments in a single issuer and its affiliates other than the government of the United States to 10% of total investments. To accept annuities written in the state of California, the Seminary is required by state law to have a trust company invest those funds in a separate trust account with equity investments limited to 50% of total investments. To accept annuities written in the state of Florida, the Seminary is required by state law to maintain a segregated trust with equity investments (including mutual funds) limited to 50% of total investments with no more than 10% of any one stock or fund. The Seminary believes it is in compliance with the respective investment restrictions as applicable to annuities written in each respective state.

9. RETIREMENT PLAN

All regular employees are eligible for participation in a fully funded defined contribution retirement plan (the Plan) that operates under Section 403(b) of the Internal Revenue Code (IRC). Employees are eligible upon hire to defer a portion of their compensation into the Plan. An employee becomes eligible for employer contributions after completing two years of service, defined by the Plan as corresponding with or commencing on the second anniversary date of his or her date of hire during which the employee works a minimum of 1,000 hours. After completing two years of service, the

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Seminary will contribute 4% of the participant's base compensation to the Plan with no match from the participant required, or the Seminary will contribute 6% of the participant's base compensation to the Plan with a mandatory 2% match required by the participant. Contributions may be invested in traditional and variable annuities provided by the Teachers Insurance and Annuity Association (TIAA) or to buy accumulation units, or shares of participation in investment portfolios provided by the College Retirement Equities Fund (CREF). Seminary contributions to the plan were \$572,361 and \$575,708 for the years ended June 30, 2023 and 2022, respectively.

10. INCOME TAXES

The Seminary is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 512(a)(1) of the code, is subject to Federal income tax. The Seminary's Internal Revenue Service (IRS) Form 990 (Returns of Organizations Exempt from Income Tax) for 2020, 2021 and 2022 are subject to examination by the IRS, generally for three years after they are filed.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Seminary and recognize a tax liability if the Seminary has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. The Seminary has analyzed its tax positions and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements.

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11. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2023	2022
Subject to the passage of time:		
Gifts	\$ 1,382,777	\$ 2,552,699
Subject to expenditure for specified purpose:		
Unspent endowment fund gains and term endowments restricted for:		
Financial aid	42,325,760	45,224,575
Operations	26,324,862	28,147,425
Academic chairs	9,404,973	10,024,069
Capital projects	462,478	488,651
Other purpose restrictions:		
Financial aid	19,201,553	21,341,542
Operations	31,217,967	29,142,740
Academic chairs	37,172	37,172
Capital projects	1,079,216	3,401,714
	<u>130,053,981</u>	<u>137,807,888</u>
Subject to restriction in perpetuity:		
Endowment funds restricted in perpetuity:		
Financial aid	63,749,287	60,780,876
Operations	33,432,631	33,482,201
Academic chairs	21,479,407	21,479,407
Capital projects	500,000	500,000
Other funds perpetual in nature:		
Student loans	1,232,627	1,230,163
Annuity funds	177,216	177,216
Life income funds	729,890	754,719
Trust funds	2,263,022	2,197,079
	<u>123,564,080</u>	<u>120,601,661</u>
Total net assets with donor restrictions	<u>\$ 255,000,838</u>	<u>\$ 260,962,248</u>

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The Board of Trustees at the Seminary has several standing board policies or approved board resolutions that affect the presentation of board-designated net assets. Net assets without donor restriction including board-designated net assets consist of the following as of June 30:

	2023	2022
Net assets without donor restrictions:		
Undesignated	\$ 10,878,983	\$ 8,625,870
Board-designated		
Capital reserves	1,797,650	1,749,007
Quasi-endowment	685,906	607,597
Operational reserve	-0-	656,211
New initiatives	1,734,555	2,464,831
Centennial celebration	301,509	389,441
Investing in People	500,000	-0-
Executive services	100,000	-0-
Annuity and life income	3,047,712	3,192,842
Net investment in plant and equipment	81,093,761	79,588,332
Total	<u>\$ 100,140,076</u>	<u>\$ 97,274,131</u>

The Seminary has buildings on two campuses with approximately 729,000 square feet of space. Fourteen of those buildings with 385,000 in square footage range in age from 20 to 70 years. The minimal future capital renewal funds needed to maintain these buildings in excellent condition is estimated at \$12,000,000. As a result, the Board of Trustees established a capital reserve pool with a goal to consistently resource these reserves with sufficient dollars to ensure that the Seminary's buildings are well maintained for the long-term. As of June 30, 2023, the capital reserves has a balance of \$1,797,650

The Board of Trustees has established a quasi-endowment pool into which they may designate special gifts or operating surpluses, and the annual amount spent from it, if any, is to be based on that year's board-approved spending rate. In addition, an operational reserve pool was established so that the Board of Trustees may draw upon the funds in event of financial distress or an immediate operations need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

A new initiatives pool was established to pilot initiatives that are determined to have the potential for positive operating results and that support the Seminary's strategic plan and help create the Seminary of the future. A centennial celebration fund was established to support activities related to the upcoming centennial of the Seminary.

An executive services pool was established to further build up the future executive services reserve. Additionally, an investing in people fund was established to provide funding for salaries and/or targeted bonuses for staff and faculty.

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12. LIQUIDITY AND FUNDS AVAILABLE FOR OPERATIONS

Of the \$58,015,137 of cash and cash equivalents, and U.S. government securities included with current assets on the statement of financial position, \$41,489,037 of this was held in short-term, readily available investments. These significant balances are more than the current liabilities with the excess of \$54,220,359 sufficient to cover 100% of the 2023 fiscal year's operating expense level of \$34,145,282.

Asbury's experience with the collections of accounts receivable from students (\$2,522,671 on June 30, 2023), has been strong with a bad debt allowance of only \$100,000. Asbury's experience with the collection of contributions receivable from donor's (\$651,925 as of June 30, 2023) has been strong with an allowance for uncollectible pledges of only \$50,000. The allowances have proven sufficient for several years.

Cash inflows from students is concentrated in September and February and approximates \$10,000,000 annually.

In addition, purpose-restricted gifts available for annual operations averaged about \$5,500,000 in 2022 and 2023. The cash paid-out from Asbury's endowment exceeded \$7,000,000 annually. As of October 23, 2023, there has been no change in management's expectations or in the spending policies governing the payout from the endowment.

The Seminary's financial assets available within one year at June 30, 2023 and 2022 for general expenditures are as follows:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 9,256,580	\$ 60,604,822
U.S. government securities	48,758,557	-0-
Accrued income receivable	729,716	116,849
Student accounts receivable	2,522,671	2,360,019
Contributions receivable due for payment in next fiscal year	651,925	1,527,899
Funds functioning as endowment available for operations	300,000	607,597
Purpose restricted gifts previously received and available to support operations	5,474,731	5,565,800
Endowment payout for the next fiscal year approved by the Board of Trustees	9,012,070	8,269,615
Financial assets available in one year	76,706,250	79,052,601
Bank line of credit (no current amounts outstanding)	7,000,000	7,000,000
Total financial assets and other liquidity resources	\$ 83,706,250	\$ 86,052,601

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

13. ENDOWMENTS

The Seminary's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions.

Interpretation of Relevant Law

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Seminary's Board of Trustees as authorized by Kentucky law, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Seminary, including Seminary counsel, and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Seminary classifies as donor restricted net assets the historic dollar value of assets held as donor restricted endowment, including any subsequent gifts and any accumulations to donor restricted endowments made in accordance with the direction of the applicable gift instruments.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions. Donor-restricted endowments are classified as net assets with donor restriction and board designated endowments are classified as net assets without donor restrictions consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Fund Act ("UPMIFA").

The Seminary has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with UPMIFA, the Seminary considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Seminary to retain as a fund of perpetual duration. During the 2023 and 2022, there were no deficiencies of this nature.

Return Objectives and Risk Parameters

The Seminary has adopted investment and spending policies for endowment assets to allow the endowment funds to grow and offset any normal inflationary impact and, at the same time, provide reasonable and prudent spending income generated by the endowment funds. To accomplish this, the Seminary's investment objectives have been established to preserve purchasing power, achieve a balance between income returns and growth of principal and to seek long term growth of principal.

Strategies Employed for Achieving Objectives

The Seminary has established a strategic asset allocation which provides for diversification among asset classes and the achievement of its investment objectives within the Seminary's established risk tolerance parameters.

Pursuant to a total return investment policy, the Seminary has approved an appropriation of net investment appreciation in an amount determined to be prudent considering the Seminary's long and short term needs, present and anticipated financial requirements, and expected total return on investments, price level trends, and general economic conditions.

Spending Policy and How Investment Objectives Relate to Spending Policy

Under the Seminary's current endowment spending policy, a board approved percentage of the moving average of the fair value during the previous three years is made available to support current operations. Annual distributions are made in accordance with donor requirements and policy guidelines. For the years ended June 30, 2023 and 2022, the Seminary approved a spending policy of 5.0% of the moving average of the fair value during the previous three years. Certain endowment funds are subject to donor required spending policy limits which range from 4.8% to 5.0% of the moving average of the fair value during the previous three years.

In establishing this policy, the Seminary considered the long-term expected return on its assets held for endowment. Accordingly, over the long term, the Seminary expects the current spending policy to allow its endowment to grow at an average of 4.0% to 5.0% annually. This is consistent with the Seminary's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Composition of endowment net assets at June 30, 2023 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 685,906	\$ -0-	\$ 685,906
Original donor-restricted gift amounts held in perpetuity	-0-	119,161,325	119,161,325
Accumulated investment gains	-0-	78,518,073	78,518,073
Total endowment funds	<u>\$ 685,906</u>	<u>\$ 197,679,398</u>	<u>\$ 198,365,304</u>

Changes in endowment net assets for the year ended June 30, 2023 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 607,597	\$ 200,127,204	\$ 200,734,801
Private gift, grants and board designation	-0-	1,893,752	1,893,752
Investment return, net	-0-	3,505,735	3,505,735
Appropriation of endowment assets for operations	250,000	(7,847,293)	(7,597,293)
Distribution from board-designated endowment pursuant to policy	(171,691)	-0-	(171,691)
Endowment net assets, end of year	<u>\$ 685,906</u>	<u>\$ 197,679,398</u>	<u>\$ 198,365,304</u>

Composition of endowment net assets at June 30, 2022 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 607,597	\$ -0-	\$ 607,597
Original donor-restricted gift amounts held in perpetuity	-0-	116,242,484	116,242,484
Accumulated investment gains	-0-	83,884,720	83,884,720
Total endowment funds	<u>\$ 607,597</u>	<u>\$ 200,127,204</u>	<u>\$ 200,734,801</u>

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Changes in endowment net assets for the year ending June 30, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 509,066	\$ 190,263,737	\$ 190,772,803
Private gift and grants	-0-	1,533,417	1,533,417
Investment return, net	-0-	19,216,331	19,216,331
Appropriation of endowment assets for operations	250,000	(10,886,281)	(10,636,281)
Distribution from board-designated endowment pursuant to policy	(151,469)	-0-	(151,469)
Endowment net assets, end of year	<u>\$ 607,597</u>	<u>\$ 200,127,204</u>	<u>\$ 200,734,801</u>

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

14. FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Seminary. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are both allocated based on square footage, as well as salary and benefits, which are allocated based on estimates of time and effort.

Expenses, summarized by functional classifications for the year ended June 30, 2023, are as follows:

	Program Services						Supporting Services		Total Expenses
	Instruction	Academic Support	Student Services	Public Service	Publishing & Conference	Auxiliary Enterprises	Management & General	Fundraising and Development	
Salaries & wages	\$ 6,495,099	\$ 1,398,001	\$ 2,025,339	\$ 4,400	\$ 1,619,763	\$ 1,069,599	\$ 2,513,924	\$ 652,856	\$ 15,778,981
Pension plan	285,268	53,989	61,325	-0-	-0-	27,514	115,066	29,199	572,360
Other benefits	836,225	187,586	244,365	-0-	-0-	146,397	497,449	56,721	1,968,743
Payroll taxes	444,865	90,939	134,409	-0-	-0-	63,336	173,032	44,530	951,111
Legal	-0-	-0-	-0-	-0-	330,137	-0-	50,241	-0-	380,378
Accounting	-0-	-0-	-0-	-0-	-0-	-0-	74,250	-0-	74,250
Advertising & promotion	17,413	-0-	-0-	-0-	40,797	1,491	117,205	264	177,170
Office expenses	988,594	1,049,417	633,477	5,530	64,328	1,073,561	1,207,249	583,528	5,605,684
Occupancy	167,625	85,582	67,266	-0-	71,313	839,587	88,529	-0-	1,319,902
Travel	444,478	22,216	107,888	1,970	52,588	1,541	120,297	53,440	804,418
Depreciation	483,589	264,262	204,512	-0-	-0-	1,536,855	273,364	-0-	2,762,582
Insurance	-0-	-0-	248	-0-	-0-	-0-	311,811	-0-	312,059
Other expenses	152,616	886,440	75,776	60,000	1,694,951	297,230	224,889	45,742	3,437,644
Total expenses by function	<u>\$ 10,315,772</u>	<u>\$ 4,038,432</u>	<u>\$ 3,554,604</u>	<u>\$ 71,900</u>	<u>\$ 3,873,877</u>	<u>\$ 5,057,111</u>	<u>\$ 5,767,306</u>	<u>\$ 1,466,280</u>	<u>\$ 34,145,282</u>

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Expenses, summarized by functional classifications for the year ended June 30, 2022, are as follows:

	Program Services						Supporting Services		Total Expenses
	Instruction	Academic Support	Student Services	Public Service	Publishing & Conference	Auxiliary Enterprises	Management & General	Fundraising and Development	
Salaries & wages	\$ 6,495,682	\$ 1,451,898	\$ 1,875,550	\$ 4,500	\$ 1,395,474	\$ 1,016,715	\$ 2,288,531	\$ 904,560	\$ 15,432,910
Pension plan	281,106	59,567	63,243	-0-	-0-	29,178	97,918	44,695	575,707
Other benefits	712,733	177,375	233,883	-0-	-0-	165,169	417,415	94,269	1,800,844
Payroll taxes	436,514	94,261	111,952	157	-0-	59,626	141,135	67,918	911,563
Legal	17	-0-	-0-	-0-	102,805	-0-	62,828	-0-	165,650
Accounting	-0-	-0-	-0-	-0-	-0-	-0-	65,900	-0-	65,900
Advertising & promotion	14,359	-0-	13,060	-0-	13,019	2,170	239,775	-0-	282,383
Office expenses	926,675	1,104,848	405,501	16,022	54,418	1,038,950	844,250	391,704	4,782,368
Information technology	-0-	-0-	-0-	-0-	-0-	-0-	109	-0-	109
Occupancy	163,804	83,669	65,075	-0-	69,899	808,026	86,550	-0-	1,277,023
Travel	200,233	20,434	60,969	3,745	15,014	1,232	120,900	85,893	508,420
Interest	-0-	-0-	-0-	-0-	-0-	-0-	126,348	-0-	126,348
Depreciation	466,166	254,741	197,143	-0-	-0-	1,481,481	263,512	-0-	2,663,043
Insurance	-0-	-0-	300	-0-	-0-	-0-	311,125	-0-	311,425
Other expenses	(10,551)	621,524	6,698	-0-	1,459,832	(147,696)	26,420	98,445	2,054,672
Total expenses by function	<u>\$ 9,686,738</u>	<u>\$ 3,868,317</u>	<u>\$ 3,033,374</u>	<u>\$ 24,424</u>	<u>\$ 3,110,461</u>	<u>\$ 4,454,851</u>	<u>\$ 5,092,716</u>	<u>\$ 1,687,484</u>	<u>\$ 30,958,365</u>

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

15. CONCENTRATIONS OF CREDIT RISK

In the normal course of business, the Seminary maintains cash balances of certain operating accounts with banks. As of June 30, 2023 and 2022 and at times during the course of the years then ended, the balances on some of these accounts exceeded the \$250,000 insurance protection provided by the Federal Deposit Insurance Corporation (FDIC) for interest bearing transaction accounts. The Seminary has not experienced any losses on such accounts and does not believe that it is subject to significant credit risk related to the accounts.

The Seminary has significant investments in common stocks, mutual funds, exchange traded funds, and alternative investments and is, therefore, subject to concentrations of credit risk. Investment decisions are made by investment managers engaged by the Seminary and the investments are monitored by the Board of Trustees. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Seminary.

Included in accounts receivable are student accounts receivable that potentially subject the Seminary to credit risk. The Seminary extends unsecured credit to students and parents of dependent students in connection with their studies. As of June 30, 2023 and 2022, the carrying amount of accounts receivable that are past due by ninety days or more totals approximately \$922,132 and \$765,382, respectively.

16. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2023, the Seminary received contributions of \$478,593 from the Board of Trustee members and the President and his Cabinet. Additionally, \$44,950 are included within contribution receivables at June 30, 2023 from these parties. During the year ended June 30, 2022, the Seminary received contributions of \$576,360 from Board of Trustee members and the President and his Cabinet. Additionally, \$219,750 are included within contribution receivables at June 30, 2022, from these parties.

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

17. FINANCIAL RESPONSIBILITY

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations.

Property, Plant, and Equipment net,	Amount
Ending balance for the year ended, 6/30/2020 pre-implementation	\$ 76,791,250
Less subsequent depreciation and disposals	(1,941,522)
Pre-implementation property, plant, and equipment	74,849,728
Ending balance for the year ended, 6/30/2020 post-implementation	2,797,082
Property, plant and equipment acquired without debt subsequent to June 30, 2019, post implementation	4,267,295
Disposal related to property, plant, and equipment acquired after June 30, 2019, post-implementation	-0-
Depreciation related to property, plant, and equipment acquired after June 30, 2019, post-implementation	(820,344)
Post-implementation property, plant, and equipment	6,244,033
Total property, plant, and equipment, net 6/30/2023	<u>\$ 81,093,761</u>

SUPPLEMENTARY INFORMATION

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2023

ASSETS	Asbury Theological Seminary	Seedbed	Foundation	Elimination	Total
Current assets					
Cash and cash equivalents	\$ 6,649,147	\$ 1,400,833	\$ 1,206,600	\$ -0-	\$ 9,256,580
U.S. government securities	48,758,557	-0-	-0-	-0-	48,758,557
Accrued income receivable	729,716	-0-	-0-	-0-	729,716
Accounts receivable, less allowance of \$100,000 and \$50,000, respectively	2,427,601	95,070	-0-	-0-	2,522,671
Contributions receivable, less allowance of approximately \$50,000 in each year for ATS	651,925	-0-	-0-	-0-	651,925
Student loans receivable	6,650	-0-	-0-	-0-	6,650
Inventories	167,275	639,447	-0-	-0-	806,722
Prepaid expenses	302,122	38,182	-0-	-0-	340,304
Total current assets	59,692,993	2,173,532	1,206,600	-0-	63,073,125
Non-current assets					
Contributions receivable	1,284,035	-0-	-0-	-0-	1,284,035
Student loans receivable	331,181	-0-	-0-	-0-	331,181
Investments	212,200,082	1,138,411	-0-	-0-	213,338,493
Funds held in trusts by others	2,263,022	-0-	-0-	-0-	2,263,022
Property, plant, and equipment, net	81,093,761	-0-	-0-	-0-	81,093,761
Investment in subsidiaries	2,438,233	-0-	-0-	(2,438,233)	-0-
Total non-current assets	299,610,314	1,138,411	-0-	(2,438,233)	298,310,492
Total assets	\$ 359,303,307	\$ 3,311,943	\$ 1,206,600	\$ (2,438,233)	\$ 361,383,617
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and payroll liabilities	\$ 589,963	\$ 265,431	1,000,000	\$ -0-	\$ 1,855,394
Accrued expenses	-0-	13,246	-0-	-0-	13,246
Student deposits and agency funds	1,113,425	-0-	-0-	-0-	1,113,425
Other liabilities	217,680	595,033	-0-	-0-	812,713
Total current liabilities	1,921,068	873,710	1,000,000	-0-	3,794,778
Non-current liabilities				-0-	
Annuities payable	1,616,522	-0-	-0-	-0-	1,616,522
Trust obligations	831,403	-0-	-0-	-0-	831,403
Total non-current liabilities	2,447,925	-0-	-0-	-0-	2,447,925
Total liabilities	4,368,993	873,710	1,000,000	-0-	6,242,703
Net assets					
Without donor restrictions					
Undesignated	10,878,983	2,438,233	-0-	(2,438,233)	10,878,983
Board designated	8,167,332	-0-	-0-	-0-	8,167,332
Net investment in plant	81,093,761	-0-	-0-	-0-	81,093,761
Total net assets without donor restrictions	100,140,076	2,438,233	-0-	(2,438,233)	100,140,076
With donor restrictions					
Time restricted for future periods	1,382,777	-0-	-0-	-0-	1,382,777
Purpose restricted	129,847,381	-0-	206,600	-0-	130,053,981
Perpetual in nature	123,564,080	-0-	-0-	-0-	123,564,080
Total net assets with donor restrictions	254,794,238	-0-	206,600	-0-	255,000,838
Total net assets	354,934,314	2,438,233	206,600	(2,438,233)	355,140,914
Total liabilities and net assets	\$ 359,303,307	\$ 3,311,943	\$ 1,206,600	\$ (2,438,233)	\$ 361,383,617

See report of independent auditors.

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

	Asbury Theological Seminary		Seedbed		Foundation			
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
Operating								
Revenues, gains, and other support:								
Tuition and fees	\$ 16,655,520	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 16,655,520
Less scholarship allowances	(9,337,717)	-0-	-0-	-0-	-0-	-0-	-0-	(9,337,717)
Tuition and fees, net	7,317,803	-0-	-0-	-0-	-0-	-0-	-0-	7,317,803
Private gifts and grants	2,800,377	4,209,033	881,936	-0-	-0-	1,000,000	-0-	8,891,346
Publishing	-0-	-0-	2,672,595	-0-	-0-	-0-	-0-	2,672,595
Conference registration	-0-	-0-	684,377	-0-	-0-	-0-	-0-	684,377
Other revenue	1,514,043	28,256	-0-	-0-	-0-	-0-	-0-	1,542,299
Investment return designated for current operations	3,505	8,662,331	-0-	-0-	-0-	-0-	-0-	8,665,836
Sales and service of auxiliary enterprises	2,207,776	466,930	-0-	-0-	-0-	-0-	-0-	2,674,706
Total revenues and gains	13,843,504	13,366,550	4,238,908	-0-	-0-	1,000,000	-0-	32,448,962
Net assets released from restrictions	16,901,126	(16,901,126)	145,665	(145,665)	793,400	(793,400)	-0-	-0-
Total revenues, gains, and other support	30,744,630	(3,534,576)	4,384,573	(145,665)	793,400	206,600	-0-	32,448,962
Expenses:								
Program services:								
Instruction	10,315,772	-0-	-0-	-0-	-0-	-0-	-0-	10,315,772
Academic support	3,305,032	-0-	-0-	-0-	733,400	-0-	-0-	4,038,432
Student services	3,554,604	-0-	-0-	-0-	-0-	-0-	-0-	3,554,604
Public service	11,900	-0-	-0-	-0-	60,000	-0-	-0-	71,900
Publishing and conference	-0-	-0-	3,873,877	-0-	-0-	-0-	-0-	3,873,877
Auxiliary enterprises	5,057,111	-0-	-0-	-0-	-0-	-0-	-0-	5,057,111
Total program services	22,244,419	-0-	3,873,877	-0-	793,400	-0-	-0-	26,911,696
Supporting services:								
Management and general	5,767,306	-0-	-0-	-0-	-0-	-0-	-0-	5,767,306
Fundraising and development	1,466,280	-0-	-0-	-0-	-0-	-0-	-0-	1,466,280
Total expenses	29,478,005	-0-	3,873,877	-0-	793,400	-0-	-0-	34,145,282
Changes in net assets from operating activities	1,266,625	(3,534,576)	510,696	(145,665)	-0-	206,600	-0-	(1,696,320)
Non-operating								
Private gifts and grants	39,938	2,060,327	-0-	-0-	-0-	-0-	-0-	2,100,265
Annuity and life income agreements	516,164	23,462	-0-	-0-	-0-	-0-	-0-	539,626
Income (loss) from subsidiaries	540,286	-0-	-0-	-0-	-0-	-0-	(540,286)	-0-
Investment return (loss)	-0-	(4,960,371)	175,255	-0-	-0-	-0-	-0-	(4,785,116)
Change in value of funds held in trust by others	-0-	65,943	-0-	-0-	-0-	-0-	-0-	65,943
Other revenue	678,756	1,381	-0-	-0-	-0-	-0-	-0-	680,137
Net assets released from restrictions	(175,824)	175,824	-0-	-0-	-0-	-0-	-0-	-0-
Changes in net assets from non-operating activities	1,599,320	(2,633,434)	175,255	-0-	-0-	-0-	(540,286)	(1,399,145)
Changes in net assets	2,865,945	(6,168,010)	685,951	(145,665)	-0-	206,600	(540,286)	(3,095,465)
Transfer of assets	-0-	-0-	-0-	(732,262)	-0-	-0-	732,262	-0-
Net assets at the beginning of year	97,274,131	260,962,248	1,752,282	877,927	-0-	-0-	(2,630,209)	358,236,379
Net assets at the end of the year	\$ 100,140,076	\$ 254,794,238	\$ 2,438,233	\$ -0-	-0-	206,600	\$ (2,438,233)	\$ 355,140,914

See report of independent auditors.

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2023

	<u>Federal AL Number</u>	<u>Federal Expenditures</u>
<u>Federal Grantor / Program Title</u>		
MAJOR PROGRAM		
<u>Student Financial Assistance - Cluster</u>		
U.S. Department of Education:		
Federal Direct Student Loans	84.268	\$ 5,439,186
Total Expenditures of Federal Awards		<u>\$ 5,439,186</u>

See report of independent auditors and accompanying notes to the schedule.

ASBURY THEOLOGICAL SEMINARY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2023

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Asbury Theological Seminary (the Seminary).

The grant revenue amounts received and expensed are subject to audit and adjustment. If any expenditure is disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Seminary. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations. The Seminary did not elect to use the 10% de minimis indirect cost rate and no amounts were provided to subrecipients.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic consolidated financial statements.

3. FEDERAL DIRECT STUDENT LOANS

For the year ended June 30, 2023, the Seminary processed loans of \$5,439,186 (net of loan and origination fees) of new loans under the Federal Direct Student Loans Program Assistance Listing Number (AL) No. 84.268, which includes unsubsidized and Plus loans for Graduate Students. The Seminary is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program. Accordingly, it is not practical to determine the balance of loans outstanding to students and former students of the Seminary under the program at June 30, 2023.

ASBURY THEOLOGICAL SEMINARY

FINANCIAL RESPONSIBILITY COMPOSITE SCORE YEAR ENDED JUNE 30, 2023

"Financial Responsibility Supplemental Schedule"					
Line	Primary Reserve Ratio:				
Number					
1	Statement of Financial Position - Total net assets without donor restrictions		Net assets without donor restrictions		\$100,140,076
2	Statement of Financial Position - Total net assets with donor restrictions		Net assets with donor restrictions		255,000,838
3	None		Secured and Unsecured related party receivable		
4	None		Unsecured related party receivable		
5	Statement of Financial Position - Property, plant and equipment, net		Property, plant and equipment, net (includes Construction in progress)	81,093,761	
6	Footnote 20 - Pre-implementation property, plant, and equipment		Property, plant and equipment pre-implementation		74,849,728
7	None		Property, plant and equipment post-implementation with outstanding debt for original purchase		
8	Footnote 20 - Post-implementation property, plant, and equipment		Property, plant and equipment post-implementation without outstanding debt for original purchase		6,244,033
9	None		Construction in progress		
10	None		Lease right-of-use asset, net		
11	None		Lease right-of-use asset, pre-implementation		
12	None		Lease right-of-use asset, post-implementation		
13	None		Intangible assets		
14	None		Post-employment and pension liabilities		
15	None		Long-term debt - for long term purposes		
16	None		Long-term debt - for long term purposes pre-implementation		
17	None		Long-term debt - for long term purposes post-implementation		
18	None		Line of Credit for Construction in progress		
19	None		Lease right-of-use asset liability		
20	None		Pre-implementation right-of-use asset liability		
21	None		Post-implementation right-of-use asset liability		
22	Note to the financial statement, Note 13, line Annuity funds		Annuities with donor restrictions		177,216
23	None		Term endowments with donor restrictions		
24	Note to the financial statement, Note 13, line Life Income funds		Life income funds with donor restrictions		729,890
25	Statement of Financial Position - Perpetual in Nature less Life income funds and Annuity funds from above.		Net assets with donor restrictions: restricted in perpetuity		123,564,080
Total Expenses and Losses:					
26	Statement of Activities - Total Operating Expenses		Total expenses without donor restrictions - taken directly from Statement of Activities		34,145,282
27	None		Non-Operating and Net Investment (loss)		
28	None		Net investment losses		
29	Statement of Activities - Pension-related changes other than periodic pension*		Pension -related changes other than net periodic costs		

See report of independent auditors.

ASBURY THEOLOGICAL SEMINARY

FINANCIAL RESPONSIBILITY COMPOSITE SCORE YEAR ENDED JUNE 30, 2023

Line		Equity Ratio:		
Number		<u>Modified Net Assets:</u>		
30	Statement of Financial Position - Net Assets without Donor Restrictions		Net assets without donor restrictions	100,140,076
31	Statement of Financial Position - Total Net Assets with Donor Restriction		Net assets with donor restrictions	255,000,838
32	None		Intangible assets	
33	None		Secured and Unsecured related party receivables	
34	None		Unsecured related party receivables	
		<u>Modified Assets:</u>		
35	Statement of Financial Position - Total assets		Total assets	361,383,617
36	None		Lease right-of-use asset pre-implementation	
37	None		Pre-implementation right-of-use asset liability	
38	None		Intangible assets	
39	None		Secured and Unsecured related party receivables	
40	None		Unsecured related party receivables	
		<u>Net Income Ratio:</u>		
41	Statement of Activities - Change in Net Assets Without Donor Restrictions		<u>Change in Net Assets Without Donor Restrictions</u>	2,865,945
42	Statement of Activities - Without donor restriction column total revenue, gains, and other support + Changes in net assets from non-operating activities less Investment return designated for current operations		<u>Total Revenues and Gains</u>	37,007,722

See report of independent auditors.

ASBURY THEOLOGICAL SEMINARY

FINANCIAL RESPONSIBILITY COMPOSITE SCORE YEAR ENDED JUNE 30, 2023

Calculating the Composite Score				
	Lines from Schedule	Amount	Ratio	
*Primary Reserve Ratio = Expendable Net Assets	= 1+2-22-24-25-6-8+16	149,575,967	4.3806	
/ Total expenses and Losses Without Donor Restrictions	=26	34,145,282		
Equity Ratio = Modified Net Assets	=30+31	355,140,914	0.9827	
/ Modified assets	=35	361,383,617		
Net Income Ratio = Change in Net Assets without Donor Restrictions	=41	2,865,945	0.0774	
/ Total Revenue and Gains Without Donor Restrictions	=42	37,007,722		
Step 1: Calculate the strength factor score for each ratio by using the following algorithms:				
Primary Reserve strength factor score = 10 x the primary reserve ratio result				
Equity strength factor score = 6 x the equity ratio result				
Negative net income ratio result:		Net Income strength factor = 1 + (25 x net income ratio result)		
Positive net income ratio result:		Net income strength factor = 1 + (50 x net income ratio result)		
Zero result for net income ratio:		Net income strength factor = 1		
If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3.				
If the strength factor score for any ratio is less than or equal to -1, the strength factor score for the ratio is -1.				
Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores				
Primary Reserve weighted score = 40% x the primary reserve strength factor score				
Equity weighted score = 40% x the equity strength factor score				
Net Income weighted score = 20% x the net income strength factor score				
Composite Score = the sum of all weighted scores				
Round the composite score to one digit after the decimal point to determine the final score				
RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	4.3806	3.0000	40%	1.2
Equity Ratio	0.9827	3.0000	40%	1.2
Net Income Ratio	0.0774	3.0000	20%	0.6
TOTAL Composite Score - Rounded				3.0

See report of independent auditors.



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Asbury Theological Seminary
Wilmore, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Asbury Theological Seminary (the Seminary), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Seminary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Seminary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Seminary's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Seminary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Seminary's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seminary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
October 23, 2023



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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Asbury Theological Seminary
Wilmore, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Asbury Theological Seminary's (the Seminary) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Seminary's major federal programs for the year ended June 30, 2023. The Seminary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Seminary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Seminary and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Seminary's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Seminary's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Seminary's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Seminary's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Seminary's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Seminary's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Seminary's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

October 23, 2023

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified opinion

Internal control over financial reporting:

Material weakness(es)
identified? ☐ yes ☒ none reported

Significant deficiency(s)
identified that are not
considered to be
material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es)
identified? ☐ yes ☒ none reported

Significant deficiency(s)
identified that are not
considered to be
material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unmodified opinion

Any audit findings disclosed that are
required to be reported in accordance
with Uniform Guidance? ☐ yes ☒ no

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

Identification of major program:

The program tested as a major federal program for the year ended June 30, 2023, is the United States Department of Education, Student Financial Assistance Cluster of Programs. Individual programs which are included in the Student Financial Assistance Cluster include the following:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
------------------	---

84.268	Federal Direct Student Loans
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee: X yes no

Section II - Findings - Financial Statement Audit

Our audit disclosed no findings that are required to be communicated under *Government Auditing Standards* for the year ended June 30, 2023.

Section III - Findings and Questioned Costs - Major Federal Awards Program Audit

Our audit disclosed no findings that are required to be communicated under *Government Auditing Standards* for the year ended June 30, 2023.

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF PRIOR YEAR FINDINGS YEAR ENDED JUNE 30 2022

Finding No. 2022-001: Enrollment Reporting

Federal Agency: U.S. Department of Education

AL Number and Title: 84.268 – Federal Direct Student Loan Program

Criteria: Title 34, Section 685.304 of the CFR states that an institution must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower.

Condition: During our audit, we noted that for 1 out of 40 students we selected for testing, the Seminary did not provide entrance counseling to a first-time borrower prior to disbursing the proceeds of the loan to the student borrower.

Recommendation: We recommend that the Seminary establish controls to ensure that first-time borrowers complete entrance counseling prior to the disbursement of funds to the student's account.

Current year status: The recommendation was adopted in September 2022. No similar findings were noted in the current year audit.