

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Financial Statements
With Independent Auditors' Report

July 31, 2024 and 2023

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Table of Contents

	<u>Page</u>
Statement of Management Responsibility	
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	7
Supplemental Information	
Auditors' Report on Supplemental Information	34
Distribution by States of Cooperative Program Receipts	35

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Gateway Seminary of the Southern Baptist Convention, which comprise the statements of financial position as of July 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gateway Seminary of the Southern Baptist Convention as of July 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Gateway Seminary of the Southern Baptist Convention 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 these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Gateway Seminary of the Southern Baptist Convention'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gateway Seminary of the Southern Baptist Convention'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.

Capin Crouse LLP

Ontario, California
October 31, 2024

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Statements of Financial Position

	July 31,	
	2024	2023
ASSETS:		
Cash and cash equivalents	\$ 4,152,105	\$ 3,005,985
Accounts receivable - net of allowance of \$127,548 and \$114,197 for 2024 and 2023, respectively	81,231	39,111
Prepaid expenses	318,660	236,617
Assets held in trust	475,535	475,724
Notes receivable	2,106,512	2,122,500
Investments held for long-term purposes	62,973,401	59,408,016
Land, buildings, and equipment - net	49,600,208	50,319,471
Beneficial interest in split interest agreements	8,419,771	7,785,403
Total Assets	\$ 128,127,423	\$ 123,392,827
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 351,361	\$ 284,533
Accrued liabilities	330,689	412,539
Deferred income	647,662	421,013
Trust liabilities	145,827	164,798
Post retirement benefit obligation	3,874,250	4,347,851
Total liabilities	5,349,789	5,630,734
Net assets:		
Without donor restrictions		
Undesignated	47,215,501	46,686,365
Quasi-endowment	38,768,817	37,305,602
	85,984,318	83,991,967
With donor restrictions	36,793,316	33,770,126
Total net assets	122,777,634	117,762,093
Total Liabilities and Net Assets	\$ 128,127,423	\$ 123,392,827

See notes to financial statements

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Statements of Activities

Year Ended July 31,						
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:						
Tuition and fees - net	\$ 3,718,184	\$ -	\$ 3,718,184	\$ 3,877,404	\$ -	\$ 3,877,404
Contributions	934,807	1,469,647	2,404,454	196,874	3,542,516	3,739,390
Southern Baptist Cooperative Program	3,631,171	-	3,631,171	3,551,196	-	3,551,196
Interest and dividends	387,072	835,548	1,222,620	113,781	717,217	830,998
Appropriations	1,768,654	-	1,768,654	1,824,786	-	1,824,786
Auxiliary enterprises	579,911	-	579,911	570,911	-	570,911
Other revenue and income	134,639	-	134,639	136,157	-	136,157
Net assets released from restrictions	2,225,330	(2,225,330)	-	2,274,832	(2,274,832)	-
	<u>13,379,768</u>	<u>79,865</u>	<u>13,459,633</u>	<u>12,545,941</u>	<u>1,984,901</u>	<u>14,530,842</u>
OPERATING EXPENSES:						
Instructional	5,390,622	-	5,390,622	5,717,304	-	5,717,304
Academic support	1,508,428	-	1,508,428	1,458,917	-	1,458,917
Institutional support	3,522,025	-	3,522,025	3,299,260	-	3,299,260
Student services	1,219,158	-	1,219,158	1,230,505	-	1,230,505
Auxiliary enterprises	457,638	-	457,638	435,173	-	435,173
	<u>12,097,871</u>	<u>-</u>	<u>12,097,871</u>	<u>12,141,159</u>	<u>-</u>	<u>12,141,159</u>
Change in Net Assets from Operations	<u>1,281,897</u>	<u>79,865</u>	<u>1,361,762</u>	<u>404,782</u>	<u>1,984,901</u>	<u>2,389,683</u>

(continued)

See notes to financial statements

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Statements of Activities (continued)

	Year Ended July 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
NON-OPERATING:						
Net realized and unrealized gains on marketable securities	3,554,458	2,385,641	5,940,099	1,956,909	1,376,832	3,333,741
Quasi-endowment income and capital gains	831,069	-	831,069	692,637	-	692,637
Appropriations	(1,768,654)	-	(1,768,654)	(1,824,787)	-	(1,824,787)
Other components of net periodic pension cost	67,011	-	67,011	(89,658)	-	(89,658)
Gain on value of beneficial interest	-	538,902	538,902	-	174,184	174,184
Gain on value of split-interest agreements	-	18,782	18,782	-	4,328	4,328
Depreciation expense	(1,929,459)	-	(1,929,459)	(1,856,982)	-	(1,856,982)
Other losses	(43,971)	-	(43,971)	(52,212)	-	(52,212)
Total Non-Operating	<u>710,454</u>	<u>2,943,325</u>	<u>3,653,779</u>	<u>(1,174,093)</u>	<u>1,555,344</u>	<u>381,251</u>
Change in Net Assets	1,992,351	3,023,190	5,015,541	(769,311)	3,540,245	2,770,934
Net Assets, Beginning of Year	<u>83,991,967</u>	<u>33,770,126</u>	<u>117,762,093</u>	<u>84,761,278</u>	<u>30,229,881</u>	<u>114,991,159</u>
Net Assets, End of Year	<u>\$ 85,984,318</u>	<u>\$ 36,793,316</u>	<u>\$ 122,777,634</u>	<u>\$ 83,991,967</u>	<u>\$ 33,770,126</u>	<u>\$ 117,762,093</u>

See notes to financial statements

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Statements of Cash Flows

	Year Ended July 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,015,541	\$ 2,770,934
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,929,459	1,856,982
Net realized and unrealized gains on investments	(5,940,099)	(3,333,741)
Change in beneficial interest in split interest agreements	(538,902)	(174,184)
Change in value of trusts	(18,782)	(4,328)
Contributions received for endowment purposes	(242,940)	(2,051,355)
Changes in operating assets and liabilities:		
Accounts receivable	(42,120)	34,332
Prepaid expenses	(82,043)	(26,725)
Accounts payable	66,828	123,080
Accrued liabilities	(81,850)	84,190
Deferred income	226,649	(63,627)
Post retirement benefit obligation	(473,601)	(238,749)
Net Cash Used by Operating Activities	<u>(181,860)</u>	<u>(1,023,191)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,210,196)	(317,531)
Issuance of notes receivable	(320,000)	(300,000)
Collections on notes receivable	335,988	118,000
Purchases of investments	(3,135,222)	(6,287,183)
Proceeds from sale of investments	5,414,470	5,573,909
Sale of trust investments for distributions to beneficiaries	41,126	44,953
Net Cash Provided (Used) by Investing Activities	<u>1,126,166</u>	<u>(1,167,852)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to trust beneficiaries	(41,126)	(44,953)
Contributions received for endowment purposes	242,940	2,051,355
Net Cash Provided by Financing Activities	<u>201,814</u>	<u>2,006,402</u>
Change in Cash and Cash Equivalents	1,146,120	(184,641)
Cash and Cash Equivalents, Beginning of Year	<u>3,005,985</u>	<u>3,190,626</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,152,105</u>	<u>\$ 3,005,985</u>

See notes to financial statements

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

1. **NATURE OF ORGANIZATION:**

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

The Seminary's main campus is in Ontario, California. The Seminary also has the following campuses: the Bay Area Campus which is located in Fremont, California; the Pacific Northwest Campus in Vancouver, Washington; the Arizona Campus in Phoenix, Arizona; and the Rocky Mountain Campus in Denver, Colorado.

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

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

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

The Seminary owns one additional corporation; the Golden Gate Housing and Development Corporation. This corporation had no activity in the years ended July 31, 2024 and 2023. The Seminary also has reserved the following names for doing business: 1) Gateway Seminary and 2) Golden Gate Baptist Theological Seminary.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

The Seminary considers cash on hand and cash on deposit to be cash and cash equivalents. The Seminary maintains its cash accounts with various financial institutions. Cash balances are insured by federal insurance up to \$250,000, per bank. At July 31, 2024 and 2023, the Seminary had cash balances that exceeded the balance insured by the FDIC by approximately \$3,990,000 and \$2,730,000, respectively.

ACCOUNTS RECEIVABLE

The Seminary grants credit for tuition to certain students, with typical payment terms being due monthly within the semesters. Resulting accounts receivable are stated at the principal amount outstanding, net of an allowance for doubtful accounts. An allowance for doubtful accounts is established through a charge to expense and is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. Receivables are charged against the allowance for doubtful accounts when management believes that collectability is unlikely. The allowance was approximately \$127,000 and \$114,000, for the years ended July 31, 2024 and 2023.

ASSETS HELD IN TRUST AND TRUST LIABILITIES

As trustee, the Seminary administers a trust that provides for the payment of lifetime distributions to the grantor or other designated beneficiaries. The associated trust liability is revalued annually using the federal mortality and discount factors used at inception. Included in the trust liability is the actuarially determined present value of future payments to beneficiaries. The discount rate used for the years ended July 31, 2024 and 2023, was 9%.

INVESTMENTS

Investments consist of an invested interest in various pooled investment funds, as well as other equity, bond, private alternatives and real estate funds. Investments in the pooled investment funds and investments in private equity are carried at the net asset value of the underlying investments. Other investments are stated at fair value. Investment income, consisting of interest and dividends and realized and unrealized gains and losses, is allocated to net assets with restrictions if stipulated by the donor. Income from pooled investments is allocated on the basis of carrying values, adjusted for additions and withdrawals. Church bonds are reported at fair value, as determined by management's assessment of the net realizable value. Investment fees were approximately \$264,000 and \$343,000, during the year ended July 31, 2024 and 2023, respectively.

LAND, BUILDINGS, AND EQUIPMENT

Expenditures for land, buildings, and equipment in excess of \$1,000 are recorded at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to activities over their estimated service lives, ranging from 3 to 50 years, using the straight-line method. Donated land, buildings, and equipment are recorded at fair market value on the date of the gift.

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS

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

DEFERRED INCOME

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

NET ASSETS

The financial statements report amounts by class of net assets:

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

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

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

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

SUPPORT, REVENUE, AND EXPENSES

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

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

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

TUITION AND FEE REVENUE

Tuition and fee revenue is recognized at the standard catalog rate less scholarships and discounts in the year the amount has been earned.

OPERATING AND NON-OPERATING

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

USE OF ESTIMATES

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

REVENUE CONCENTRATION

During the year ended July 31, 2024 and 2023, the Seminary received approximately 27% and 24% of its operating revenue from the Southern Baptist Cooperative Program.

RECENTLY ADOPTED ACCOUNTING STANDARD

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Seminary that are subject to the guidance in FASB ASC 326 are accounts receivable and notes receivable. The Seminary adopted the standard effective August 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

3. ASSETS HELD IN TRUST:

Assets held in trust consist of:

	July 31,	
	2024	2023
Money market funds	\$ 16,450	\$ 7,898
Equity funds	365,862	376,761
Fixed income	93,223	91,065
	<u>\$ 475,535</u>	<u>\$ 475,724</u>

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

4. NOTES RECEIVABLE:

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

The HPA program is a combination loan and equity share agreement, with the borrower retaining full title to the property. During the first five years, the note carries a fixed interest rate and principal can be repaid. At the end of five years, the borrower may pay off the note. The note converts to a shared equity agreement after five years, at which time the Seminary shares in either the gain or loss from the disposition of the property based on the percentage the original note was to the purchase price. Interest at the rate of 2% is payable annually. The notes are secured by trust deeds and payable upon maturity, ranging from January 2029 to May 2054. The Seminary may exercise the option to accelerate the maturity date as a result of the following events: 1) termination of employment or 2) the death of the borrower. At the time of sale or disposition of the home, additional interest computed on the increase in the value of the property, not to exceed 10% per annum is due. There were no notes in default, as of July 31, 2024 or 2023.

Equity participation notes receivable are carried at cost net of any anticipated losses due to uncollectible amounts or settlement of notes. Allowances for impaired notes receivable are determined based on collateral values or the present value of estimated cash flows. As of July 31, 2024 and 2023, there were no allowances for doubtful accounts due to the high collectability experienced by the Seminary.

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

5. INVESTMENTS:

Investments consist of:

	July 31,	
	2024	2023
Investment in pooled funds held by:		
Commonfund	\$ 19,578,506	\$ 20,285,556
Baptist Foundation of California	6,651,487	5,971,913
Equity funds	23,137,789	20,056,010
Fixed income	6,556,375	6,902,470
Private equity	5,930,854	4,769,582
Church bond funds	829,504	792,007
Short-term funds (money market)	249,777	394,558
Other	39,109	235,920
	<u>\$ 62,973,401</u>	<u>\$ 59,408,016</u>

Included in the multi-strategy funds and fixed income held by Commonfund are limited amounts of non-readily marketable investments including limited partnerships. Because these investments are part of the entire portfolio, there are no specific amounts identified. Investments with no readily determinable market value are reported at fair value using estimated market value when no ready market exists. Estimated market value is based on reasonable valuation methodologies including items such as appraisals and recent offering prices.

6. FAIR VALUE MEASUREMENTS:

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market between market participants on the measurement date.

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

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

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

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

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

6. FAIR VALUE MEASUREMENTS, continued:

The table below presents the level within the fair value hierarchy at which investments held for long term purposes, assets held in trust, and beneficial interest in split interest agreements are measured at July 31, 2024:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equity funds:				
Small cap	\$ 1,989,867	\$ 1,989,867	\$ -	\$ -
Mid cap	43,943	43,943	-	-
Large cap	11,968,866	11,968,866	-	-
Defensive market strategies	338,894	338,894	-	-
International equity	9,161,481	9,161,481	-	-
Fixed income:				
Corporate bonds	2,634,712	2,634,712	-	-
Government bonds	988,529	988,529	-	-
Global bonds	2,687,497	2,687,497	-	-
Strategic alternatives fund	338,450	338,450	-	-
Real estate fund	-	-	-	-
Church bond funds	829,504	-	829,504	-
Other	39,109	39,109	-	-
Beneficial interest in split interest agreements	8,419,771	-	-	8,419,771
	<u>\$ 39,440,623</u>	<u>\$ 30,191,348</u>	<u>\$ 829,504</u>	<u>\$ 8,419,771</u>
Investments held at net asset value				
Investment in pooled funds held by:				
Commonfund	\$ 19,578,506			
Baptist Foundation of California	6,651,487			
Private equity	5,930,854			
	<u>71,601,470</u>			
Money market funds	<u>267,237</u>			
Total	<u>\$ 71,868,707</u>			

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

6. FAIR VALUE MEASUREMENTS, continued:

The table below presents the level within the fair value hierarchy at which investments held for long term purposes, assets held in trust, and beneficial interest in split interest agreements are measured at July 31, 2024:

Investments held for	
long-term purposes	\$ 62,973,401
Assets held in trust	475,535
Beneficial interest in	
split interest agreements	<u>8,419,771</u>
Total	<u><u>\$ 71,868,707</u></u>

The table below presents the level within the fair value hierarchy at which investments held for long term purposes, assets held in trust, and beneficial interest in split interest agreements are measured at July 31, 2023:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equity funds:				
Small cap	\$ 1,937,628	\$ 1,937,628	\$ -	\$ -
Mid cap	57,868	57,868	-	-
Large cap	9,394,222	9,394,222	-	-
Defensive market strategies	568,988	568,988	-	-
International equity	8,474,065	8,474,065	-	-
Fixed income:				
Corporate bonds	2,711,111	2,711,111	-	-
Government bonds	1,142,979	1,142,979	-	-
Global bonds	2,754,691	2,754,691	-	-
Strategic alternatives fund	384,754	384,754	-	-
Real estate fund	202,601	202,601	-	-
Church bond funds	792,007	-	792,007	-
Other	33,319	33,319	-	-
Beneficial interest in				
split interest agreements	<u>7,785,403</u>	<u>-</u>	<u>-</u>	<u>7,785,403</u>
	<u><u>\$ 36,239,636</u></u>	<u><u>\$ 27,662,226</u></u>	<u><u>\$ 792,007</u></u>	<u><u>\$ 7,785,403</u></u>

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

6. FAIR VALUE MEASUREMENTS, continued:

The table below presents the level within the fair value hierarchy at which investments held for long term purposes, assets held in trust, and beneficial interest in split interest agreements are measured at July 31, 2023:

Investments held at net asset value

Investment in pooled funds held by:	
Commonfund	\$ 20,285,556
Baptist Foundation of California	5,971,913
Private equity	4,769,582
	<u>67,266,687</u>
Money market funds	<u>402,456</u>
Total investments	<u><u>\$ 67,669,143</u></u>

Investments held for long-term purposes	\$ 59,408,016
Assets held in trust	475,724
Beneficial interest in split interest agreements	<u>7,785,403</u>
Total investments	<u><u>\$ 67,669,143</u></u>

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

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

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

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

6. FAIR VALUE MEASUREMENTS, continued:

The Seminary uses Net Asset Value (NAV) to determine the fair value for all private alternative investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. The Seminary's unfunded commitments will be paid by liquidating an investment class in the event of any capital calls. The following table lists investments in other investment companies (in partnership format) by major category at July 31, 2024:

Investment Category	Strategy	Fair Value Determined Using NAV	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Private Equity Funds	Private Equity	1,678,024	308,907	NA	No ability to be redeemed.	NA	NA
Hedge Funds	Multi-strategy	1,006,920	-	NA	Redeemable quarterly with 65 days notice.	25% redemption limit each quarter.	NA
Private Debt	Direct Lending	741,653	135,000	NA	Upon maturity at December 2028.	Balance has a lockup based on life of equity.	NA
Private Infrastructure	Value-Add Private Infrastructure	781,678	375,000	NA	Upon maturity at November 2033.	Balance has a lockup based on life of equity.	NA

(continued)

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

6. FAIR VALUE MEASUREMENTS, continued:

The following table lists investments in other investment companies (in partnership format) by major category at July 31, 2024:

Investment Category	Strategy	Fair Value Determined Using NAV	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Private Equity Funds	Private Equity	389,572	75,473	NA	Upon maturity at June 2034.	Balance has a lockup based on life of equity.	NA
Hedge Funds	Structured Credit	576,123	-	NA	Redeemable quarterly with 65 days notice.	NA	NA
Private Real Estate	Private Real Estate Debt	671,190	283,000	NA	Upon maturity at December 2028.	Balance has a lockup based on life of equity.	NA
Private Equity Funds	Venture Capital	85,694	336,000	NA	Upon maturity at December 2030.	Balance has a lockup based on life of equity.	NA
		<u>\$ 5,930,854</u>	<u>\$ 1,513,380</u>				

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

6. FAIR VALUE MEASUREMENTS, continued:

The following table lists investments in other investment companies (in partnership format) by major category at July 31, 2023:

Investment Category	Strategy	Fair Value Determined Using NAV	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Private Equity Funds	Private Equity	1,301,832	495,285	NA	No ability to be redeemed.	NA	NA
Hedge Funds	Multi-strategy	946,345	-	NA	Redeemable quarterly with 65 days notice.	25% redemption limit each quarter.	NA
Private Debt	Direct Lending	750,964	135,000	NA	Upon maturity at December 2028.	Balance has a lockup based on life of equity.	NA
Private Infrastructure	Value-Add Private Infrastructure	459,139	575,000	NA	Upon maturity at November 2033.	Balance has a lockup based on life of equity.	NA

(continued)

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

6. FAIR VALUE MEASUREMENTS, continued:

The following table lists investments in other investment companies (in partnership format) by major category at July 31, 2023:

Investment Category	Strategy	Fair Value Determined Using NAV	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Private Equity Funds	Private Equity	293,883	130,148	NA	Upon maturity at June 2034.	Balance has a lockup based on life of equity.	NA
Hedge Funds	Structured Credit	524,437	-	NA	Redeemable quarterly with 65 days notice.	NA	NA
Private Real Estate	Private Real Estate Debt	457,768	511,000	NA	Upon maturity at December 2028.	Balance has a lockup based on life of equity.	NA
Private Equity Funds	Venture Capital	35,214	360,000	NA	Upon maturity at December 2030.	Balance has a lockup based on life of equity.	NA
		<u>\$ 4,769,582</u>	<u>\$ 2,206,433</u>				

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

7. LAND, BUILDINGS, AND EQUIPMENT - NET:

Land, buildings, and equipment - net consist of:

	July 31,	
	2024	2023
Buildings and improvements	\$ 52,236,470	\$ 51,829,652
Furniture, fixtures, and equipment	7,603,761	6,688,700
Library books and films	1,804,619	1,797,256
	<u>61,644,850</u>	<u>60,315,608</u>
Less accumulated depreciation	<u>(18,512,249)</u>	<u>(16,582,791)</u>
	43,132,601	43,732,817
Land	6,446,606	6,446,606
Construction in progress	<u>21,001</u>	<u>140,048</u>
	<u>\$ 49,600,208</u>	<u>\$ 50,319,471</u>

8. PENSION PLAN:

All full-time employees are eligible to participate in a defined contribution retirement plan (the Plan), under Code Section 403(b). The Plan is administered by GuideStone and operates as a multi-employer plan. The Plan is noncontributory for employees, and employer contributions are 10% of each participant's annual earnings after three years of continuous service with either the Seminary or another entity operating under the oversight of the Southern Baptist Convention. Pension expense for the years ended July 31, 2024 and 2023 was approximately \$422,000 and \$427,000, respectively.

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

9. POST RETIREMENT BENEFIT OBLIGATION:

Substantially all Seminary employees are eligible for certain post retirement health and supplemental benefits at normal retirement age if working for the Seminary at such date. There are no plan assets because the Seminary has not funded a trust in conjunction with such benefits, and pays such post retirement benefit costs on a pay-as-you-go basis. At July 31, 2024 and 2023, the Seminary had recorded a benefit obligation of approximately \$3,874,000 and \$4,348,000, respectively, in the statements of financial position. During the year ended July 31, 2019, the Seminary decided to change the requirements for the retirement benefit. The plan is no longer available to new employees or employees currently under the age of 60. Additionally, the amount of time it takes to qualify for the retirement benefit has increased from seven to ten years.

The following major assumptions were used to determine the benefit obligation at:

	July 31,	
	2024	2023
Discount rate	5.26%	5.25%
Rate of compensation increase	2.00%	3.00%
Initial rate of health care cost increase		
Post-65 (Medical/Rx)	4.4%/6.6%	4.3%/7.5%
Blended	5.83%	6.38%
Ultimate rate (time to ultimate rate of 8 years)		
Post-65 (Medical/Rx)	4.40%/4.87%	4.30%/4.87%
Blended	4.72%	4.69%
Dental care trend rate	4.00%	4.00%

During the years ended July 31, 2024 and 2023, the Seminary had a net periodic postretirement benefit cost of approximately \$94,000 and \$91,000, respectively, and contributions made to pay benefits were approximately \$312,000 and \$238,000, respectively.

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

9. POST RETIREMENT BENEFIT OBLIGATION, continued:

Amounts recognized in unrestricted net assets consist of:

	July 31,	
	2024	2023
Service cost	\$ 79,692	\$ 136,933
Interest cost	223,768	191,373
Benefits paid	(312,255)	(237,537)
Change in discount rate assumption	(1,729)	(481,546)
Change in other economic assumptions	(13,534)	179,652
Change in demographic assumptions	-	-
Actuarial gain	(449,543)	(27,624)
	\$ (473,601)	\$ (238,749)

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

<u>Year ended July 31,</u>	
2025	\$ 297,545
2026	293,762
2027	308,741
2028	311,776
2029	289,878
Years 2030-2034	1,535,119
	\$ 3,036,821

10. TUITION:

Tuition is reflected net of student scholarships and tuition discounts for Seminary employees and their dependents. Student scholarships were approximately \$698,000 and \$718,000, and tuition discounts were approximately \$82,000 and \$57,000, for the years ended July 31, 2024 and 2023.

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

11. NET ASSETS WITH DONOR RESTRICTIONS:

Donor restricted net assets during the year ended July 31, 2024 are available for:

	July 31, 2023	Gifts	Earnings and Gains/Losses	Releases	July 31, 2024
Instruction	\$ 14,575,761	\$ 49,968	\$ 1,694,867	\$ (741,272)	\$ 15,579,324
Student aid and services	10,207,128	869,043	1,077,186	(684,209)	11,469,148
Institutional support	8,616,907	100,884	959,254	(334,586)	9,342,459
Charitable trusts - time restricted	274,419	-	18,781	-	293,200
Regional campuses	3,820	449,752	-	(453,572)	-
Other	92,091	-	28,785	(11,691)	109,185
	<u>\$ 33,770,126</u>	<u>\$ 1,469,647</u>	<u>\$ 3,778,873</u>	<u>\$ (2,225,330)</u>	<u>\$ 36,793,316</u>

Donor restricted net assets during the year ended July 31, 2023 are available for:

	July 31, 2022	Gifts	Earnings and Gains/Losses	Releases	July 31, 2023
Instruction	\$ 14,109,147	\$ 49,422	\$ 1,120,796	\$ (703,604)	\$ 14,575,761
Student aid and services	8,096,564	2,288,209	536,223	(713,868)	10,207,128
Institutional support	7,637,591	735,332	593,519	(349,535)	8,616,907
Charitable trusts - time restricted	270,092	-	4,327	-	274,419
Regional campuses	30,156	469,553	-	(495,889)	3,820
Other	86,331	-	17,696	(11,936)	92,091
	<u>\$ 30,229,881</u>	<u>\$ 3,542,516</u>	<u>\$ 2,272,561</u>	<u>\$ (2,274,832)</u>	<u>\$ 33,770,126</u>

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

11. NET ASSETS WITH DONOR RESTRICTIONS, continued:

Donor restricted net assets held in perpetuity are:

	July 31, 2024			July 31, 2023		
	Endowments	Beneficial Interest	Total	Endowments	Beneficial Interest	Total
Instruction	\$ 7,571,270	\$ 2,875,821	\$10,447,091	\$ 7,570,670	\$ 2,698,801	\$ 10,269,471
Institutional support	3,659,725	3,737,198	7,396,923	3,652,525	3,408,433	7,060,958
Student aid and services	6,289,369	1,806,752	8,096,121	6,054,229	1,678,169	7,732,398
	<u>\$17,520,364</u>	<u>\$ 8,419,771</u>	<u>\$25,940,135</u>	<u>\$17,277,424</u>	<u>\$ 7,785,403</u>	<u>\$ 25,062,827</u>

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

12. FUNCTIONAL CLASSIFICATION:

The Seminary's program consists of a single activity, which is to provide education to students. Accordingly, certain costs have been allocated using activity based costing, such as allocating facility costs on the basis of square feet. IT-related costs are allocated by service and effort estimate based on project tracking by the IT Director. The system maintenance costs are allocated based on module users with common module costs shared among users. Plant Operations are allocated by service effort for salaries and benefits, then by square footage. The Seminary has student housing which takes approximately 37% of facility maintenance labor efforts. The remaining 63% and other costs are on the main campus allocated based on square footage. Building depreciation is allocated by square footage used to support each function within location (i.e. Main Campus, Apartments and Regional Campuses). Equipment depreciation is allocated based on the location where the equipment is being used.

The allocated expenses of the Seminary as of July 31, 2024, are classified on a natural basis among its program services and supporting activities and are reflected below:

	Program Activities				General and		
	Instructional	Academic Support	Student Services	Auxiliary	Administration	Fundraising	Total
Salaries and benefits	\$ 4,468,567	\$ 950,293	\$ 912,147	\$ 188,596	\$ 1,271,576	\$ 679,052	\$ 8,470,231
Utilities, maintenance, lease, and insurance	533,119	323,328	94,735	242,652	562,637	51,579	1,808,050
Dues, professional & others	76,308	99,740	14,975	16,722	411,418	38,181	657,344
Travel and campus activities	223,354	11,233	160,975	37	128,574	64,642	588,815
Advertising, printing, and supplies	89,274	123,834	36,326	9,631	39,901	274,465	573,431
	<u>5,390,622</u>	<u>1,508,428</u>	<u>1,219,158</u>	<u>457,638</u>	<u>2,414,106</u>	<u>1,107,919</u>	<u>12,097,871</u>
Depreciation	<u>625,861</u>	<u>324,933</u>	<u>50,510</u>	<u>373,666</u>	<u>512,805</u>	<u>41,684</u>	<u>1,929,459</u>
Total operating expenses and depreciation	<u>\$ 6,016,483</u>	<u>\$ 1,833,361</u>	<u>\$ 1,269,668</u>	<u>\$ 831,304</u>	<u>\$ 2,926,911</u>	<u>\$ 1,149,603</u>	<u>\$ 14,027,330</u>

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

12. FUNCTIONAL CLASSIFICATION, continued:

The allocated expenses of the Seminary as of July 31, 2023 are classified on a natural basis among its program services and supporting activities and are reflected below:

	Program Activities				General and		
	Instructional	Academic Support	Student Services	Auxiliary	Administration	Fundraising	Total
Salaries and benefits	\$ 4,710,978	\$ 943,098	\$ 832,585	\$ 178,260	\$ 1,243,066	\$ 604,916	\$ 8,512,903
Utilities, maintenance, lease and insurance	520,521	318,389	93,668	229,087	552,019	52,066	1,765,750
Dues, professional & others	70,916	71,151	17,183	18,032	214,429	73,928	465,639
Travel and campus activities	309,777	16,397	244,922	41	234,990	66,090	872,217
Advertising, printing and supplies	105,112	109,882	42,147	9,753	56,574	201,182	524,650
	<u>5,717,304</u>	<u>1,458,917</u>	<u>1,230,505</u>	<u>435,173</u>	<u>2,301,078</u>	<u>998,182</u>	<u>12,141,159</u>
Depreciation	<u>606,603</u>	<u>312,926</u>	<u>47,875</u>	<u>364,013</u>	<u>486,056</u>	<u>39,509</u>	<u>1,856,982</u>
Total operating expenses and depreciation	<u><u>\$ 6,323,907</u></u>	<u><u>\$ 1,771,843</u></u>	<u><u>\$ 1,278,380</u></u>	<u><u>\$ 799,186</u></u>	<u><u>\$ 2,787,134</u></u>	<u><u>\$ 1,037,691</u></u>	<u><u>\$13,998,141</u></u>

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

12. FUNCTIONAL CLASSIFICATION, continued:

The expenses of the Seminary as of July 31, 2024, are classified on a natural basis among its program services and supporting activities and are reflected below:

	Program Activities				Supporting Activities				Total
	Instructional	Academic Support	Student Services	Auxiliary	General and Administration	Fundraising	Institutional Support - IT	Plant Operations	
Salaries and benefits	\$ 4,287,289	\$ 906,539	\$ 905,096	\$ 81,718	\$ 986,563	\$ 673,233	\$ 340,829	\$ 288,964	\$ 8,470,231
Utilities, maintenance, lease and insurance	44,836	76,443	993	139,516	64,318	2,858	225,908	1,253,178	1,808,050
Dues, professional & others	65,316	97,982	14,692	15,981	402,191	37,947	10,143	13,092	657,344
Travel and campus activities	221,863	11,145	160,960	-	126,111	64,630	3,703	403	588,815
Advertising, printing and supplies	77,661	120,591	35,803	8,263	26,177	274,034	13,444	17,458	573,431
Total operating expenses	<u>\$ 4,696,965</u>	<u>\$ 1,212,700</u>	<u>\$ 1,117,544</u>	<u>\$ 245,478</u>	<u>\$ 1,605,360</u>	<u>\$ 1,052,702</u>	<u>\$ 594,027</u>	<u>\$ 1,573,095</u>	<u>\$ 12,097,871</u>

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2023 and 2022

12. FUNCTIONAL CLASSIFICATION, continued:

The expenses of the Seminary as of July 31, 2023, are classified on a natural basis among its program services and supporting activities and are reflected below:

	Program Activities				Supporting Activities				
	Instructional	Academic Support	Student Services	Auxiliary	General and Administration	Fundraising	Institutional Support - IT	Plant Operations	Total
Salaries and benefits	\$ 4,556,164	\$ 901,247	\$ 825,841	\$ 85,623	\$ 966,984	\$ 599,350	\$ 310,886	\$ 266,808	\$ 8,512,903
Utilities, maintenance, lease and insurance	40,398	76,519	993	128,147	59,670	4,108	226,832	1,229,083	1,765,750
Dues, professional & others	62,046	70,491	17,077	17,754	208,007	73,841	8,001	8,422	465,639
Travel and campus activities	308,841	16,335	244,912	15	233,159	66,082	2,591	282	872,217
Advertising, printing and supplies	93,711	107,104	41,700	8,581	39,643	200,812	18,546	14,553	524,650
Total operating expenses	<u>\$ 5,061,160</u>	<u>\$ 1,171,696</u>	<u>\$ 1,130,523</u>	<u>\$ 240,120</u>	<u>\$ 1,507,463</u>	<u>\$ 944,193</u>	<u>\$ 566,856</u>	<u>\$ 1,519,148</u>	<u>\$ 12,141,159</u>

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

13. ENDOWMENT FUNDS:

The Seminary's endowment consists of 97 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of the Seminary has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Seminary classifies as donor restricted endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditures by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Seminary considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Seminary has three quasi-endowment funds, two of which are designated to help trustee-elected faculty and administration. One of the quasi-endowments is to purchase homes through the Seminary's HPA program, which consists of investments and notes receivable. Quasi-endowment funds may at times temporarily contain funds held in a money market cash account held for funding an anticipated HPA loan. The second quasi-endowment to provide an annual bonus through the Individual Earnings Account program. The board also established a third quasi-endowment known as the land sale quasi-endowment, which is to function as a normal investment fund for the Seminary. Approximately \$470,000 and \$209,000 was held for this purpose in the money market account as of July 31, 2024 and 2023, respectively.

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

13. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended July 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, August 1, 2023	\$ 37,305,602	\$ 24,429,920	\$ 61,735,522
Investment return:			
Interest and dividend income	776,544	564,529	1,341,073
Net realized and unrealized gains (losses)	<u>3,599,327</u>	<u>2,385,639</u>	<u>5,984,966</u>
Total investment losses	4,375,871	2,950,168	7,326,039
Contributions	625,289	242,940	868,229
Expended endowment assets, appropriations, and reclassification	<u>(3,537,945)</u>	<u>(1,071,811)</u>	<u>(4,609,756)</u>
Endowment net assets, July 31, 2024	<u><u>\$ 38,768,817</u></u>	<u><u>\$ 26,551,217</u></u>	<u><u>\$ 65,320,034</u></u>

Changes in endowment net assets for the year ended July 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, August 1, 2022	\$ 36,626,993	\$ 21,520,375	\$ 58,147,368
Investment return:			
Interest and dividend income	761,534	461,811	1,223,345
Net realized and unrealized gains (losses)	<u>1,958,685</u>	<u>1,376,831</u>	<u>3,335,516</u>
Total investment gains	2,720,219	1,838,642	4,558,861
Contributions	381,076	2,051,355	2,432,431
Expended endowment assets, appropriations, and reclassifications	<u>(2,422,686)</u>	<u>(980,452)</u>	<u>(3,403,138)</u>
Endowment net assets, July 31, 2023	<u><u>\$ 37,305,602</u></u>	<u><u>\$ 24,429,920</u></u>	<u><u>\$ 61,735,522</u></u>

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

13. ENDOWMENT FUNDS, continued:

FUNDS WITH DEFICIENCIES

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. There were no funds with deficiencies for the years ended July 31, 2024 and 2023.

RETURN OBJECTIVES AND RISK PARAMETERS

The Seminary has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while maintaining the original fair market value of the original gift. Endowment assets included those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that attain an average annual return equal to 5% plus the change in the urban Consumer Price Index (CPI) over every trailing five year period. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Seminary relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Seminary targets a diversified asset allocation that places a balanced emphasis on equity-based investments (40%-70%), fixed income investments (less than 60%), alternatives (less than 40%), and real estate (less than 20%) to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICIES AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Seminary has a policy of appropriating for distribution each year no more than 5% of its endowment fund's average fair value over the prior 12 quarters through the end of the current fiscal year. In establishing this policy, the Seminary considered the long-term expected return on its endowment. Accordingly, over the long term, the Seminary expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Seminary's expectation to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

14. LIQUIDITY:

The Seminary's working capital and cash flows have some seasonal variations during the year due to the academic term tuition and fee receipts which are concentrated in August and January. The Seminary has adopted investment and spending policies for the Board designated reserves and endowment assets to provide a predictable stream of funding to support general expenditures. The Seminary is supported by the Cooperative Program of the Southern Baptist Convention with distributions made on a weekly basis to the Seminary.

The Cooperative Program receipts account for about one third of the Seminary's annual revenue. In addition, there are regular contributions from churches and individuals throughout the year. The following table reflects the Seminary's financial assets as of July 31, 2024 and 2023, reduced by funds that are not available for general use within one year because of donor or contractual restrictions or internal designations. Amounts not available include amounts set aside for long-term investments that could be drawn upon with Board approval. The Board has approved a one million dollar reserve fund to be available for seasonal variation typically during the summer months. Funds that are appropriated for the coming year and become available for general expenditure are added back and are included in the Seminary's financial assets available within one year. This includes amounts expected to be appropriated from endowment funds within one year.

	July 31,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 4,152,105	\$ 3,005,985
Accounts receivable - net	81,231	39,111
Notes receivable	2,106,512	2,122,500
Investments held for long term purposes	62,973,401	59,408,016
Financial assets, at year end	69,313,249	64,575,612
Less those unavailable for general expenditure within one year due to:		
Restricted by donor with purpose restrictions	(8,738,048)	(8,231,576)
Endowment funds restricted by donors	(17,520,363)	(15,962,623)
Board designated - quasi endowment	(37,200,339)	(35,655,338)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,854,499	\$ 4,726,075

The Seminary's assets held in trust and beneficial interest in split interest agreements are excluded from the above table because they are unavailable for general expenditure and therefore have no impact on total financial assets available to meet cash needs for general expenditures within one year.

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Notes to Financial Statements

July 31, 2024 and 2023

15. RELATED PARTY TRANSACTIONS:

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

16. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 31, 2024, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the financial statements of Gateway Seminary of the Southern Baptist Convention as of, and for the years ended, July 31, 2024 and 2023, and our report thereon dated October 31, 2024, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The distribution by states of cooperative program receipts are presented for purposes of additional analysis of the financial statements rather than to present the financial position and results of operations of the individual organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Capin Crouse LLP

Ontario, California
October 31, 2024

GATEWAY SEMINARY OF THE SOUTHERN BAPTIST CONVENTION

Distribution by States of Cooperative Program Receipts

Report of Executive Committee Southern Baptist Convention

	Year Ended July 31,	
	2024	2023
Churches	\$ 81,861	\$ 79,926
Alabama	357,487	347,433
Alaska	2,236	2,189
Arizona	26,620	25,978
Arkansas	170,814	180,149
California	34,980	33,299
Colorado	11,967	14,157
Dakota	1,747	1,846
Florida	264,390	261,850
Georgia	271,009	262,958
Hawaii Pacific	3,903	3,896
Illinois	36,693	39,544
Indiana	10,746	11,936
Iowa	14,435	15,898
Kansas-Nebraska	15,499	15,804
Kentucky	189,273	178,852
Louisiana	122,036	120,922
Maryland-Delaware	21,183	23,611
Michigan	8,517	8,191
Minnesota-Wisconsin	2,358	3,940
Mississippi	223,821	216,725
Missouri	87,685	88,674
Montana	2,963	3,015
Nevada	6,293	7,290
New England	2,325	2,453
New Mexico	18,726	16,806
New York	4,138	4,029
North Carolina	259,953	234,684
Northwest	8,168	9,156
Ohio	44,070	50,178
Oklahoma	195,118	190,966
Pennsylvania-South Jersey	7,084	6,320
Puerto Rico/US Virgin Islands	325	155
South Carolina	191,799	189,516
Tennessee	301,833	292,504
Texas-BGCT	167,632	167,945
Texas-SBTC	281,570	269,402
Utah-Idaho	4,101	4,065
Virginia-BGAV	15,457	15,321
Virginia-SBCV	89,451	85,115
West Virginia	9,544	8,899
Wyoming	716	661
Total Cooperative Program	3,570,526	3,496,258
Total Designations	60,645	54,938
Total Distribution	\$ 3,631,171	\$ 3,551,196