

CALVIN THEOLOGICAL SEMINARY

Financial Statements
With Independent Auditors' Report

June 30, 2024 and 2023

CALVIN THEOLOGICAL SEMINARY

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Calvin Theological Seminary
Grand Rapids, Michigan

Opinion

We have audited the accompanying financial statements of Calvin Theological Seminary, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, 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 Calvin Theological Seminary as of June 30, 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 Calvin Theological 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 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 Calvin Theological Seminary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Trustees
Calvin Theological Seminary
Grand Rapids, Michigan

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 Calvin Theological 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Calvin Theological 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.

Capin Crouse LLP

Grand Rapids, Michigan
December 20, 2024

CALVIN THEOLOGICAL SEMINARY

Statements of Financial Position

	June 30,	
	2024	2023
ASSETS:		
Cash and cash equivalents	\$ 549,397	\$ 507,226
Receivables:		
Student accounts— net of allowance of \$20,000 in 2024 and 2023	152,747	182,226
Student loans—net of allowance of \$141,000 in 2024 and 2023	861,064	951,886
Prepaid expenses and other assets	178,671	173,587
Investments	73,760,307	69,517,146
Operating lease right-of-use assets	529,719	1,115,722
Plant assets—net	16,606,772	15,564,678
Total Assets	\$ 92,638,677	\$ 88,012,471
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	\$ 1,497,053	\$ 582,769
Accrued retiree medical benefits	859,968	945,850
Operating lease liabilities	531,758	1,039,924
Federal Perkins Loan advances	109,148	108,464
Total liabilities	2,997,927	2,677,007
Net assets:		
Net assets without donor restrictions	27,229,295	28,520,445
Net assets with donor restrictions:		
Restricted by purpose or time	30,838,765	26,643,187
Restricted in perpetuity	31,572,690	30,171,832
	62,411,455	56,815,019
Total net assets	89,640,750	85,335,464
Total Liabilities and Net Assets	\$ 92,638,677	\$ 88,012,471

See notes to financial statements

CALVIN THEOLOGICAL SEMINARY

Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Tuition and fees—net (Note 2)	\$ 666,011	\$ -	\$ 666,011
Auxiliary revenues—net (Note 2)	636,570	-	636,570
Denominational ministry shares	1,374,302	-	1,374,302
Private gifts and grants	1,456,918	4,918,851	6,375,769
Investment income used in operations	696,319	1,710,929	2,407,248
Other revenue	22,572	-	22,572
Loss on disposal of plant assets	(683,200)	-	(683,200)
Total operating revenues	4,169,492	6,629,780	10,799,272
Net Assets Released from Restrictions:			
Satisfaction of purpose and time restrictions	4,204,278	(4,204,278)	-
	8,373,770	2,425,502	10,799,272
EXPENSES:			
Program service	7,400,452	-	7,400,452
Management and general	2,401,115	-	2,401,115
Fundraising	945,354	-	945,354
Total operating expenses	10,746,921	-	10,746,921
Change in Net Assets from Operating Activities	(2,373,151)	2,425,502	52,351
Non-Operating Activities:			
Investment income, net of amounts used in operations	1,036,012	3,170,934	4,206,946
Actuarial change in post retirement benefit obligation other than net periodic costs	45,989	-	45,989
Change in Non-Operating Activities	1,082,001	3,170,934	4,252,935
Total Change in Net Assets	(1,291,150)	5,596,436	4,305,286
Net Assets, Beginning of Year	28,520,445	56,815,019	85,335,464
Net Assets, End of Year	\$ 27,229,295	\$ 62,411,455	\$ 89,640,750

See notes to financial statements

CALVIN THEOLOGICAL SEMINARY

Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Tuition and fees—net (Note 2)	\$ 644,292	\$ -	\$ 644,292
Auxiliary revenues—net (Note 2)	621,663	-	621,663
Denominational ministry shares	1,675,251	-	1,675,251
Private gifts and grants	1,996,229	4,162,299	6,158,528
Investment income used in operations	433,817	1,604,900	2,038,717
Other revenues	19,547	-	19,547
Gain on sale of plant assets	3,620,690	-	3,620,690
Total operating revenues	9,011,489	5,767,199	14,778,688
Net Assets Released from Restrictions:			
Satisfaction of purpose and time restrictions	9,435,965	(9,435,965)	-
	18,447,454	(3,668,766)	14,778,688
EXPENSES:			
Program service	6,798,788	-	6,798,788
Management and general	2,248,091	-	2,248,091
Fundraising	842,540	-	842,540
Total operating expenses	9,889,419	-	9,889,419
Change in Net Assets from Operating Activities	8,558,035	(3,668,766)	4,889,269
Non-Operating Activities:			
Investment gain, net of amounts used in operations	489,801	2,953,282	3,443,083
Actuarial change in post retirement benefit obligation other than net periodic costs	64,866	-	64,866
Change in Non-Operating Activities	554,667	2,953,282	3,507,949
Total Change in Net Assets	9,112,702	(715,484)	8,397,218
Net Assets, Beginning of Year	19,407,743	57,530,503	76,938,246
Net Assets, End of Year	\$ 28,520,445	\$ 56,815,019	\$ 85,335,464

See notes to financial statements

CALVIN THEOLOGICAL SEMINARY

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services				Supporting Activities			Total Expenses
	Education	Auxiliary Activities	Student Services	Program Total	Management and General	Fundraising	Support Total	
Salaries and benefits	\$ 2,660,798	\$ -	\$ 992,925	\$ 3,653,723	\$ 1,035,100	\$ 378,105	\$ 1,413,205	\$ 5,066,928
Occupancy	-	750,051	398,557	1,148,608	480,794	5,000	485,794	1,634,402
Depreciation	267,918	74,077	178,612	520,607	138,829	34,707	173,536	694,143
Other	163,087	-	297,569	460,656	328,656	205,484	534,140	994,796
Professional fees	184,488	66,601	123,436	374,525	177,786	33,437	211,223	585,748
Travel	71,493	249	196,998	268,740	87,784	37,419	125,203	393,943
Grants and awards	-	-	359,053	359,053	-	-	-	359,053
Advertising and promotion	22,742	-	125,540	148,282	8,450	157,458	165,908	314,190
Equipment and maintenance	76,911	38,131	102,688	217,730	35,426	10,806	46,232	263,962
Printing and duplicating	25,711	-	55,668	81,379	32,033	24,054	56,087	137,466
Conferences and conventions	18,658	-	79,187	97,845	15,449	12,222	27,671	125,516
Office supplies	25,628	30	33,548	59,206	46,787	15,756	62,543	121,749
Subscriptions and memberships	10,098	-	-	10,098	14,021	30,906	44,927	55,025
Total Expenses	\$ 3,527,532	\$ 929,139	\$ 2,943,781	\$ 7,400,452	\$ 2,401,115	\$ 945,354	\$ 3,346,469	\$ 10,746,921

See notes to financial statements

CALVIN THEOLOGICAL SEMINARY

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services			Supporting Activities			Total Expenses	
	Education	Auxiliary Activities	Student Services	Program Total	Management and General	Fundraising		Support Total
Salaries and benefits	\$ 2,732,798	\$ -	\$ 913,269	\$ 3,646,067	\$ 1,082,142	\$ 351,057	\$ 1,433,199	\$ 5,079,266
Occupancy	-	448,409	369,600	818,009	525,140	5,000	530,140	1,348,149
Depreciation	265,213	108,864	176,809	550,886	146,903	36,726	183,629	734,515
Other	-	-	521,716	521,716	153,593	34,385	187,978	709,694
Professional fees	82,870	63,560	242,531	388,961	136,356	114,270	250,626	639,587
Travel	58,173	421	191,600	250,194	78,230	57,469	135,699	385,893
Advertising and promotion	5,834	-	144,526	150,360	13,539	136,064	149,603	299,963
Equipment and maintenance	67,431	42,458	116,895	226,784	42,396	12,633	55,029	281,813
Office supplies	32,873	-	52,088	84,961	40,186	22,027	62,213	147,174
Conferences and conventions	30,056	-	66,005	96,061	17,588	3,276	20,864	116,925
Printing and duplicating	28,383	-	25,291	53,674	776	32,686	33,462	87,136
Subscriptions and memberships	11,115	-	-	11,115	11,242	36,947	48,189	59,304
Total Expenses	\$ 3,314,746	\$ 663,712	\$ 2,820,330	\$ 6,798,788	\$ 2,248,091	\$ 842,540	\$ 3,090,631	\$ 9,889,419

See notes to financial statements

CALVIN THEOLOGICAL SEMINARY

Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students for tuition, fees, and auxiliary revenues	\$ 671,432	\$ 4,971,028
Gifts and grants received for operations	6,349,213	6,658,227
Net interest and dividends received	1,509,986	1,118,622
Cash paid to suppliers and employees	(9,180,125)	(12,545,613)
Net Cash Provided (Used) By Operating Activities	(649,494)	202,264
CASH FLOWS FROM INVESTING ACTIVITIES:		
Student loans advanced	(684)	(1,349)
Student loans collected	54,474	80,726
Proceeds from dispositions of investments	5,747,306	14,371,680
Acquisition of investments	(5,936,259)	(21,034,995)
Proceeds from sale of plant assets	-	5,200,000
Acquisition and construction of plant assets	(574,030)	(1,835,935)
Net Cash Used By Investing Activities	(709,193)	(3,219,873)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gifts restricted in perpetuity	1,400,858	654,052
Gifts restricted for long-term purposes	-	521,500
Net Cash Provided By Financing Activities	1,400,858	1,175,552
Change in Cash and Cash Equivalents	42,171	(1,842,057)
Cash and Cash Equivalents, Beginning of Year	507,226	2,349,283
Cash and Cash Equivalents, End of Year	\$ 549,397	\$ 507,226
SUPPLEMENTAL NONCASH DISCLOSURES		
Noncash transfer of investments to property and equipment	\$ 1,050,000	\$ -
Property and equipment in accounts payable	\$ 795,407	\$ -

See notes to financial statements

CALVIN THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2024 and 2023

1. NATURE OF ORGANIZATION:

In 1876, Calvin Theological Seminary (Seminary) was founded as the theological school of the Christian Reformed Church in North America (CRCNA). The Seminary's primary purpose is the preparation of ordained ministers of the Word for the CRCNA and the world, and instruction for the preparation of professors of Reformed theology. The Seminary is supported primarily by denominational ministry shares, charitable contributions, tuition and fees from students, and investment income. The Seminary has been accredited by the Association of Theological Schools in the United States and Canada. The Seminary is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Seminary qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Seminary also has a supporting organization, CPI Foundation, whose purposes are to expand the Seminary's ongoing support for the Calvin Prison Initiative. There is no financial activity within this organization. Therefore, this organization will not be consolidated within these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

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). GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OPERATING AND NON-OPERATING ACTIVITIES

The statements of activities present the changes in net assets of the Seminary from operating activities and from non-operating activities. Operating activities include all revenue and expenses related to carrying out the Seminary's mission. The portion of investment income appropriated for operations on investments held for endowments and similar purposes under the Seminary's total return spending policy is considered operating revenue.

Non-operating activities consist primarily of (a) investment income, net of amounts used in operations, (b) and actuarial change in post retirement benefit obligation other than net periodic costs.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on hand, cash in checking and savings accounts, and all highly liquid investments purchased with original maturities of three months or less. At June 30, 2024 and 2023, the Seminary's cash balances exceeded federally insured limits by \$373,606 and \$347,453, respectively.

CALVIN THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

STUDENT ACCOUNTS RECEIVABLE

Students are billed for tuition by semester and rent by month. Student accounts receivable are reported net of any anticipated losses due to uncollectible accounts. Uncollectible accounts are recognized as additions to the allowance for bad debts in the period it is determined the amounts could become uncollectible. The allowance for doubtful accounts is based on management's evaluation of trends in historical loss experience, payment patterns from the students, general economic conditions, and supportable future economic forecasts. At June 30, 2024 and 2023, the allowance for doubtful accounts was \$20,000.

STUDENT LOANS RECEIVABLE

The Seminary's student loans receivable consist of a revolving loan fund for Federal Perkins Loans for which the Seminary acts as an agent for the federal government in administering the loan program and an institutional loan fund created by the Seminary to assist students in funding their education (the ministry incentive program). As an agent for the federal government, the Perkins loan portfolio is guaranteed by the United States Department of Education. There are, therefore, no impaired loans, no nonperforming loans and no modifications to loan terms executed by the Seminary because amounts that become old or past due are in due course turned back over to the Department of Education.

The ministry incentive program was established in 1985, whereby the Seminary offers a loan forgiveness program for these loans to its ordained graduates who become employed in the ministry of the CRCNA or certain related organizations. Under this program, upon ordination, 5% of the original loan balance is forgiven each year during the first ten years following graduation with a Master of Divinity degree. However, loan forgiveness discontinues when an individual is no longer performing service in a qualified ministry. Amounts forgiven for the years ended June 30, 2024 and 2023, totaled \$37,716 and \$56,099, respectively. The Seminary determined their allowance for estimated losses on these student loans by looking at historical default rates, analyzing the aging of the past due loans, and supportable future economic forecasts. Additional credit quality disclosures are not included due to immateriality.

INVESTMENTS

Investments are carried at fair value (including net asset value) and cost. Donated investments are reported at fair market value at the date of donation and therefore carried in accordance with the above policy. Investments held for long-term purposes relate to the endowment, annuities, or trusts. Realized and unrealized gains and losses, dividends and interest, are included in investment income used in operations without donor restrictions in the statements of activities unless a donor or state law restricts their use.

CALVIN THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

OPERATING LEASE RIGHT-OF-USE ASSET AND LIABILITIES

The Seminary has two lease agreements for student housing, which mature July 31, 2024, and August 31, 2025. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease terms on the inception date of the leases (4% as of June 30, 2024 and 2023). The leases require monthly payments ranging from \$3,400 to \$36,800. Total lease expense was approximately \$400,000, for the years ending June 30, 2024 and 2023. Future required lease payments are:

<u>Year Ended June 30:</u>	
2025	\$ 466,993
2026	78,083
Less imputed interest:	<u>(13,318)</u>
	<u>\$ 531,758</u>

PLANT ASSETS

Plant assets costing at least \$1,000 are reported at cost when purchased or at the fair market value as of the date of a gift. Depreciation is computed by the straight-line method based on the estimated useful lives of the related assets, ranging from three to eighty years. Expenditures for maintenance and repairs are charged to expense. Planned major maintenance projects are not started until funding is secured or the cost is budgeted.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets.

Net assets without donor restrictions are those currently available at the direction of management and the board of trustees for use in the Seminary's operations.

Net assets with donor restrictions-restricted by purpose or time result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be removed by actions of the Seminary pursuant to those stipulations.

Net assets with donor restrictions-held in perpetuity result from contributions whose use is limited by donor-imposed stipulations or by state law that neither expire by passage of time nor can be removed by actions of the Seminary.

TUITION AND FEES—NET

Tuition and fees are recorded as revenue without donor restrictions. Tuition and fees received in advance of the following academic year are recorded as student funds received in advance on the statements of financial position and recognized as revenue in the year in which it is earned.

CALVIN THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

TUITION AND FEES—NET, continued:

The Seminary recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Academic programs are delivered in the Fall and Spring academic terms, as well as one Summer term. The Summer term begins in June and ends in August. Payments of tuition and fees are recognized as performance obligations are met. Revenue is recognized ratably over the summer terms. Need-based institutional aid, in the form of scholarships and grants, includes amounts funded by the endowment and other gifts, and reduces the published price of tuition for students receiving such aid. As such, institutional aid is referred to as financial aid and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student.

Net tuition and fees are as follows:

	Year Ended June 30,	
	2024	2023
Gross tuition	\$ 2,094,896	\$ 1,839,070
Gross fees	22,837	15,775
Less: financial aid	<u>(1,451,722)</u>	<u>(1,210,553)</u>
Net tuition and fees	<u>\$ 666,011</u>	<u>\$ 644,292</u>

AUXILIARY REVENUES—NET

Auxiliary revenue includes activities for student housing. Performance obligations for housing services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered. Auxiliary services revenue are as follows:

	Year Ended June 30,	
	2024	2023
Housing revenue	\$ 665,964	\$ 644,653
Less: scholarships and discounts	<u>(29,394)</u>	<u>(22,990)</u>
Auxiliary revenues—net	<u>\$ 636,570</u>	<u>\$ 621,663</u>

DENOMINATIONAL MINISTRY SHARES

Revenues from CRCNA (described as denominational ministry shares in the accompanying statements of activities) are recognized when earned and when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Seminary.

CALVIN THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PRIVATE GIFTS AND GRANTS

The Seminary reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts of plant assets are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of plant assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire plant assets are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time.

FUNCTIONAL CLASSES OF EXPENSES

Program services include expenses directly related to the instruction and support of the educational experience, campus operations, student development, auxiliary and other expenses. Supporting activities include management and general expenses that are required to maintain an adequate working environment, provide proper executive and administrative support, as well as manage the financial and human resources of the Seminary and the structure necessary to encourage and secure support from external sources. Fund-raising costs consist of salaries, fringe benefits, brochures, and other costs incurred by the Seminary. Expenses related to the operation and maintenance of the physical plant, including depreciation of plant assets, are reported in either the program services or supporting activities based on the square footage of facilities. The Seminary incurred no joint costs for the years ended June 30, 2024 and 2023.

ADVERTISING

The Seminary expenses advertising costs as incurred. Total advertising costs were \$314,189 and \$299,963, during the years ended June 30, 2024 and 2023, respectively.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance in Accounting Standards Update No. 2016-13 (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 student accounts receivable and notes receivable. The Seminary adopted the standard effective June 30, 2024. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

CALVIN THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2024 and 2023

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Seminary's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	June 30,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 549,397	\$ 507,226
Receivables, net	1,013,811	1,134,112
Investments	73,760,307	69,517,146
Financial assets, at year end	<u>75,323,515</u>	<u>71,158,484</u>
Less those unavailable for general expenditures within one year, due to:		
Net assets restricted in perpetuity	(31,572,690)	(30,171,832)
Net assets restricted by purpose, net of amounts to be appropriated or released through normal operations within the year	(29,238,765)	(24,802,687)
Board designated funds	<u>(11,422,829)</u>	<u>(13,590,258)</u>
	<u>(72,234,284)</u>	<u>(68,564,777)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,089,231</u>	<u>\$ 2,593,707</u>

As part of the Seminary's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. With board approval, the board designated funds could be made available for general expenditures within the next 12 months, if needed.

4. INVESTMENTS:

The Seminary uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Following is a description of the valuation methodologies used for instruments measured at cost, fair value, and net asset value (NAV) on a recurring basis.

Level 1

Equity securities and money market funds- The fair value of these financial instruments is based on quoted market prices.

Level 2

Fixed income and other investments- The value is based on yields currently available on comparable securities of issuers with similar credit ratings.

Land and real estate- The value is based on an independent appraisal using comparable market exit prices.

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Notes to Financial Statements

June 30, 2024 and 2023

4. INVESTMENTS, continued:

Level 3

Beneficial interest in trust- Securities that have little to no pricing observability, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Types of investments held at Level 3 are beneficial interest in trust administered by others. The fair value of beneficial interest in trust administered by others is determined by using the Seminary's percentage interest in the trust and the fair value of the trust as determined by the trustee.

NAV

Investments held at fair value using NAV- The value is based upon estimated fair value per the NAV as reported by fund managers, which represents the Seminary's proportionate interest in the capital of the invested funds.

Fees paid to the Seminary's external advisors related to the management and custody of the Seminary's investments totaled approximately \$223,000 and \$284,000 for the years ended June 30, 2024 and 2023, respectively, and have been netted against investment income in the accompanying statements of activities. These fees are in addition to the fund expenses that are included in the pricing of the respective funds.

Investments held under annuity agreements had carrying values of \$214,463 and \$207,184, as of June 30, 2024 and 2023, respectively.

Investment portfolio by valuation hierarchy:

	Fair Value Disclosure			
	Total	Level 1	Level 2	Level 3
June 30, 2024:				
Equity securities	\$49,989,160	\$ 49,989,160	\$ -	\$ -
Money market funds	\$ 1,576,509	1,576,509	-	-
Fixed income and other investments	14,326,637	-	14,326,637	-
Beneficial interest in trust	214,463	-	-	214,463
	\$66,106,769	\$ 51,565,669	\$ 14,326,637	\$ 214,463

Investments held at fair value using NAV:

Investments held at Merrill	6,789,458
Investments reported on by Merrill *	864,080
	7,653,538
	\$73,760,307

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Notes to Financial Statements

June 30, 2024 and 2023

5. INVESTMENTS, continued:

	Fair Value Disclosure			
	Total	Level 1	Level 2	Level 3
June 30, 2023:				
Equity securities	\$44,843,773	\$ 44,843,773	\$ -	\$ -
Fixed income and other investments	13,293,344	-	13,293,344	-
Land and real estate	1,050,000	-	1,050,000	-
Beneficial interest in trust	207,184	-	-	207,184
	\$59,394,301	\$ 44,843,773	\$ 14,343,344	\$ 207,184
Investments held at fair value using NAV:				
Investments held at Merrill	6,629,445			
Investments reported on by Merrill*	1,162,337			
	7,791,782			
Investments held at cost:				
Cash and cash equivalents held at Merrill	2,331,063			
	\$69,517,146			

* During the year ended June 30, 2021, the Seminary switched investment advisors to Merrill. Several investment funds were not able to be liquidated, and therefore, Merrill reports on those funds but the assets remain under the control of the various funds rather than Merrill. The investments reported on by Merrill Lynch are being liquidated as quickly as the funds allow, and the assets transferred under Merrill's control.

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Notes to Financial Statements

June 30, 2024 and 2023

4. INVESTMENTS, continued:

The Seminary follows the NAV provisions of the *Fair Value Measurements and Disclosures* topic of the FASB ASC. The Seminary uses the NAV to determine the fair value of all the underlying investments which do not have a readily determinable fair value. These statements are consistent with the measurement principles or attributes of an investment company. The following table lists investments by major category.

Investment Category	Total June 30, 2024	Investments held at Merrill Lynch	Investments reported on by Merrill Lynch
Strategy		Hedge funds of private equity and real estate	Hedge funds of funds, private equity, direct lending, distressed real estate
Fair Value Determined Using NAV	\$ 7,653,538	\$ 6,789,458	\$ 864,080
Remaining Life		NA	95 days-5 years
Unfunded Commitments	\$ 3,738,592	\$ 3,000,000	\$ 738,592
Commitments		NA	95 days-5 years
Redemption Terms		Daily, weekly or monthly	Private equity - cannot be readily liquidated
Redemption Restrictions		None	Investments are illiquid
Redemption Restrictions at Year End		None	Investments are illiquid

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Notes to Financial Statements

June 30, 2024 and 2023

4. INVESTMENTS, continued:

Investments by major category (continued):

Investment Category	Total June 30, 2023	Investments held at Merrill Lynch	Investments reported on by Merrill Lynch
Strategy		Hedge funds of private equity and real estate	Hedge funds of funds, private equity, direct lending, distressed real estate
Fair Value Determined Using NAV	\$ 7,791,782	\$ 6,629,445	\$ 1,162,337
Remaining Life		NA	95 days-5 years
Unfunded Commitments	\$ 3,612,871	\$ 3,000,000	\$ 612,871
Commitments		NA	95 days-5 years
Redemption Terms		Daily, weekly or monthly	Private equity - cannot be readily liquidated
Redemption Restrictions		None	Investments are illiquid
Redemption Restrictions at Year End		None	Investments are illiquid

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Notes to Financial Statements

June 30, 2024 and 2023

5. PLANT ASSETS:

Plant assets are summarized by major classification as follows:

	June 30,	
	2024	2023
Land	\$ 45,000	\$ 45,000
Buildings	19,748,380	19,314,199
Furniture and equipment	5,509,687	5,471,121
Construction in progress	1,263,490	-
	<u>26,566,557</u>	<u>24,830,320</u>
Less accumulated depreciation and amortization	(9,959,785)	(9,265,642)
Net plant assets	<u>\$ 16,606,772</u>	<u>\$ 15,564,678</u>

During the year ended June 30, 2024, the Seminary entered into a contract and began construction on student housing. Costs incurred as of June 30, 2024 are reflected as construction in progress. The contract to complete the project is approximately \$20,300,000, with approximately \$19,700,000, remaining at June 30, 2024. The project is expected to be completed in May 2025.

6. EMPLOYEE BENEFIT PLANS:

The Seminary participates in a defined contribution 403(b) retirement plan, which covers all regular employees that are .75 FTE and above. The Seminary has the option to contribute the percentage annually approved by the CTS Board of Trustees of participants' salaries on a bi-weekly (non-exempt employees) or semi-monthly (exempt employees) basis to the Teachers Insurance and Annuity Association (TIAA). Total contributions to this plan for the years ended June 30, 2024 and 2023, were approximately \$287,000 and \$295,000, respectively. All contributions are vested immediately. Employees may also make voluntary contributions to this plan up to certain limits allowed by law.

7. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS:

The Seminary currently provides prescription, dental, and health care benefits to qualified retired employees under a 50% employee 50% Seminary contributory plan. Eligible employees retiring prior to age 65 receive 100% hospital preferred benefits with co-pay provisions until age 65 and Medicare supplemental benefits thereafter. With 10 years of service, but fewer than 20, the retiree receives the insurance benefit for the number of years served.

On May 22, 2014, the Board of Trustees approved an amendment to the retiree health care plan. Under the amended plan, rather than paying 50% of an insurance premium, the Seminary will pay retirees a fixed annual stipend which the retiree can use to secure health insurance. The amount and duration of the annual stipend is dependent on the retiree's years of service. Since the stipend is a fixed amount, there is no assumed health care cost increase utilized in the actuarial assumptions.

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Notes to Financial Statements

June 30, 2024 and 2023

7. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS, continued:

Postretirement health care expense consisted of the following components:

	Year Ended June 30,	
	2024	2023
Service cost-benefits earned during the period	\$ 1,276	\$ 1,244
Interest cost on accumulated postretirement benefit obligation	40,116	42,073
Prior service cost	(98,653)	(98,653)
Amortization of unrecognized net gain	17,368	22,766
Net periodic postretirement benefit cost	\$ (39,893)	\$ (32,570)

Components of postretirement health care expense anticipated for the year ending June 30, 2025, are as follows:

Service cost-benefits earned during the period	\$ 2,303
Interest cost on accumulated postretirement benefit obligation	40,145
Projected benefit payments	(98,653)
Recognition of net actuarial gain	17,729
Net periodic postretirement benefit cost	\$ (38,476)

Estimated future benefit payments (based on lump sum value) are:

Year Ended June 30,	
2025	\$ 95,300
2026	93,940
2027	93,312
2028	89,459
2029	85,713
2030-2034	354,001
	\$ 811,725

The discount rate used for the liability was 5.25% and 4.75% as of June 30, 2024 and 2023. The discount rate used for the net periodic benefit cost was 4.75% and 4.50% as of June 30, 2024 and 2023. The June 30, 2024, liability discount rate increased 0.5% from the rate used as of June 30, 2023, based on June 2024 Financial Times Stock Exchange (FTSE) yield curve.

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Notes to Financial Statements

June 30, 2024 and 2023

8. NET ASSETS:

Net assets consist of:

	June 30,	
	2024	2023
Net assets without donor restrictions:		
Available for operations	\$ 15,541,698	\$ 14,679,701
Quasi-endowment funds	6,879,428	7,495,368
Board designated for student housing	3,879,152	5,166,811
Board designated for student loan funds	563,761	563,761
Board designated from estate gifts	100,488	364,318
Gift portion of annuities held in the annuity fund	264,768	250,486
	27,229,295	28,520,445
Net assets with donor restrictions:		
Restricted by purpose and time:		
Accumulated endowment earnings	21,986,277	18,815,343
Student loan funds	2,521,154	2,505,792
Scholarships	2,610,181	2,135,697
Other	1,437,652	1,628,455
Instruction	1,977,478	1,131,122
Administration	306,023	426,778
	30,838,765	26,643,187
Restricted in perpetuity:		
Endowment funds	31,572,690	30,171,832
	\$ 89,640,750	\$ 85,335,464

9. COMMITMENTS:

As of June 30, 2024 and 2023, the Seminary has committed to invest in certain funds totaling \$3,738,592 and \$3,612,871, respectively, as disclosed in Note 4. A commitment contract is disclosed in Note 5.

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Notes to Financial Statements

June 30, 2024 and 2023

10. ENDOWMENT FUNDS:

The state of Michigan enacted UPMIFA (the Uniform Prudent Management of Institutional Funds Act) effective September 15, 2009, for all nonprofit Michigan organizations. The intent of UPMIFA is to substantiate, by disclosure, that endowment investment policies and endowment spending policies will assure the preservation of the gift principal as the donor or state law stipulates.

The following are the required disclosures for net assets associated with endowment funds, including funds designated by the Board of Trustees of the Seminary to function as endowments, which are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Seminary interpreted the Michigan UPMIFA statute as requiring the preservation of the fair value of gifts as of the gift date. As a result of this interpretation, the Seminary classifies as net assets with donor restrictions-restricted in perpetuity (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment. Investment income, absent donor restriction, is classified as net assets with donor restrictions until appropriated for expenditure by the Seminary in a manner consistent with the standard of prudence described by Michigan UPMIFA.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions-restricted in perpetuity is classified as net assets with donor restrictions- restricted by purpose or time until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. Using this standard to determine how and when to appropriate or accumulate donor-restricted endowments, the Seminary considers the duration and preservation of the fund, the purpose for use, the general economic conditions, the effect of inflation and deflation, anticipated investment return, the investment policy of the Seminary and management's prudence.

The Reporting Endowment Funds topic of the FASB ASC further requires a discussion of the policies in place for funds with deficiencies, return objectives and parameters, strategies employed for achieving long-term objectives, and spending policies and how the investment objectives relate to spending policy as a part of the disclosure.

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Notes to Financial Statements

June 30, 2024 and 2023

10. ENDOWMENT FUNDS, continued:

The following are in compliance with the *Reporting Endowment Funds* topic:

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 state law requires in a fund of perpetual duration. Reasons this may result are from unfavorable market fluctuations, especially for funds that have been invested for a short duration, or funds where the contribution was small. Another reason funds may result in a deficiency occurs when the Board of Trustees or the donor prudently directs continued appropriations for the critical restricted purpose (such as vital programs or scholarships). Deficiencies of this nature are reported in net assets with donor restrictions (the portion of the endowment that may be spent to achieve the restricted purpose). There were no funds with deficiencies as of June 30, 2024 and 2023.

Return objectives and risk parameters: The Board of Trustees has delegated to the Investment Committee, the responsibility for formulating and adopting an Investment Policy Statement. The goal of the policy is to provide a predictable stream of funding for programs supported by its endowment. The endowment assets are invested in a manner that is intended to produce an annualized rate of return equal to or greater than the rate of inflation plus any payout requirement of the Seminary's spending policy while assuming a prudent level of investment risk.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Investment Committee relies on the services of an investment consultant, Merrill Lynch, to manage endowment investments in accordance with the Seminary's Investment Policy Statement. Merrill Lynch has constructed a portfolio of investments which is expected to achieve the 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 a set percentage of its endowment fund's rolling three-year average fair market value measured at June 30 for the calendar year end preceding the fiscal year in which the distribution is planned (4.25% as of June 30, 2024 and 2023). In establishing this policy, the Seminary considered the long-term expected return on its endowment. In addition, the Seminary assesses an administrative fee of 14 basis points (0.14%) to offset the expenses of managing the endowment investments as of June 30, 2024 and 2023.

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Notes to Financial Statements

June 30, 2024 and 2023

10. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains and Other	Total With Donor Restrictions	
Donor-restricted funds	\$ -	\$ 31,572,690	\$ 21,986,277	\$ 53,558,967	\$ 53,558,967
Board-designated funds	6,879,428	-	-	-	6,879,428
	<u>\$ 6,879,428</u>	<u>\$ 31,572,690</u>	<u>\$ 21,986,277</u>	<u>\$ 53,558,967</u>	<u>\$ 60,438,395</u>

Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains and Other*	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 7,495,368	\$ 30,171,832	\$ 18,815,343	\$ 48,987,175	\$ 56,482,543
Investment return, net	704,393		4,881,863	4,881,863	5,586,256
Contributions	41,266	1,400,858	-	1,400,858	1,442,124
Amounts appropriated for expenditure	(311,599)	-	(1,710,929)	(1,710,929)	(2,022,528)
Land transfer to operations	(1,050,000)	-	-	-	(1,050,000)
	<u>(615,940)</u>	<u>1,400,858</u>	<u>3,170,934</u>	<u>4,571,792</u>	<u>3,955,852</u>
Endowment net assets, end of year	<u>\$ 6,879,428</u>	<u>\$ 31,572,690</u>	<u>\$ 21,986,277</u>	<u>\$ 53,558,967</u>	<u>\$ 60,438,395</u>

* Included in accumulated gains is term endowments of \$6,555,052

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Notes to Financial Statements

June 30, 2024 and 2023

10. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other*	Total With Donor Restrictions	
Donor-restricted funds	\$ -	\$ 30,171,832	\$ 18,815,343	\$ 48,987,175	\$ 48,987,175
Board-designated funds	7,495,368	-	-	-	7,495,368
	<u>\$ 7,495,368</u>	<u>\$ 30,171,832</u>	<u>\$ 18,815,343</u>	<u>\$ 48,987,175</u>	<u>\$ 56,482,543</u>

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

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains and Other	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 7,063,459	\$ 29,517,780	\$ 15,862,061	\$ 45,379,841	\$ 52,443,300
Investment return, net	685,409	-	4,558,182	4,558,182	5,243,591
Contributions	-	654,052	-	654,052	654,052
Amounts appropriated for expenditure	(253,500)	-	(1,604,900)	(1,604,900)	(1,858,400)
	<u>431,909</u>	<u>654,052</u>	<u>2,953,282</u>	<u>3,607,334</u>	<u>4,039,243</u>
Endowment net assets, end of year	<u>\$ 7,495,368</u>	<u>\$ 30,171,832</u>	<u>\$ 18,815,343</u>	<u>\$ 48,987,175</u>	<u>\$ 56,482,543</u>

* Included in accumulated gains is term endowments of \$6,285,848

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Notes to Financial Statements

June 30, 2024 and 2023

11. RELATED PARTY TRANSACTIONS:

The Seminary receives services from Calvin University (University), with which it is affiliated through the CRCNA. The Seminary is located on the University campus. Of the expenses common to both institutions, the University allocated approximately \$794,000 and \$705,000 for the fiscal years 2024 and 2023, respectively, to the Seminary. The University processes various transactions for the benefit of the Seminary, which are reimbursed on a monthly basis. At June 30, 2024 and 2023, the Seminary owed the University approximately \$138,000 and \$227,000, respectively. These amounts are included in accounts payable and other liabilities on the statements of financial position.

The Seminary received approximately \$1,374,000 and \$1,675,000 in denominational ministry shares from the CRCNA during fiscal years 2024 and 2023, respectively. During fiscal years 2024 and 2023, the Seminary paid approximately \$35,000 and \$13,000, respectively, to the CRCNA for various services.

The Seminary received approximately \$26,000 and \$36,000 in contributions from board members during the years ended June 30, 2024 and 2023, respectively.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 20, 2024, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

In November 2024, the Seminary entered into a debt agreement with a financial institution for a construction note in the amount of \$9,000,000. The note matures in February 2026, and accrues interest at the banks prime rate (7.75% as of November 2024). The note is secured by the building, as well as investments with a value of \$3,000,000.