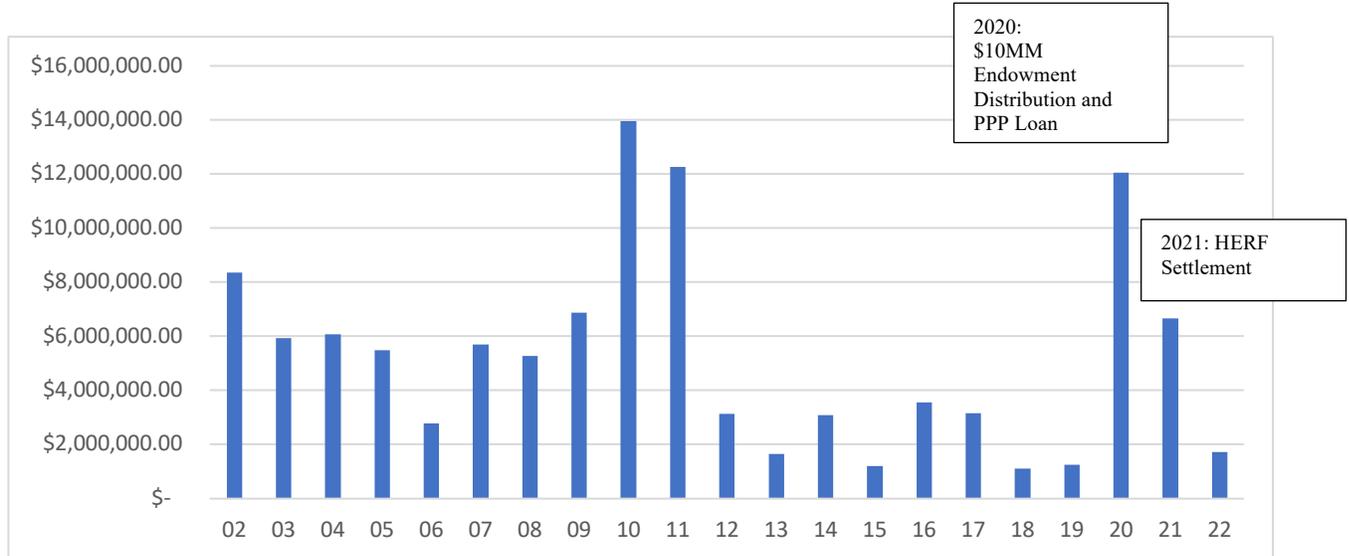


**Financial Overview (2002-2022)**  
**Southwestern Seminary Board of Trustees Officers**  
**June 7, 2023**

Over the past twenty years, the financial health of Southwestern Seminary has progressively deteriorated. A quick review of key metrics reveals the problem and provides a path for remedy. Below is a summary of the financial condition of Southwestern Seminary from 2002-2022, including several charts that highlight revealing trends.

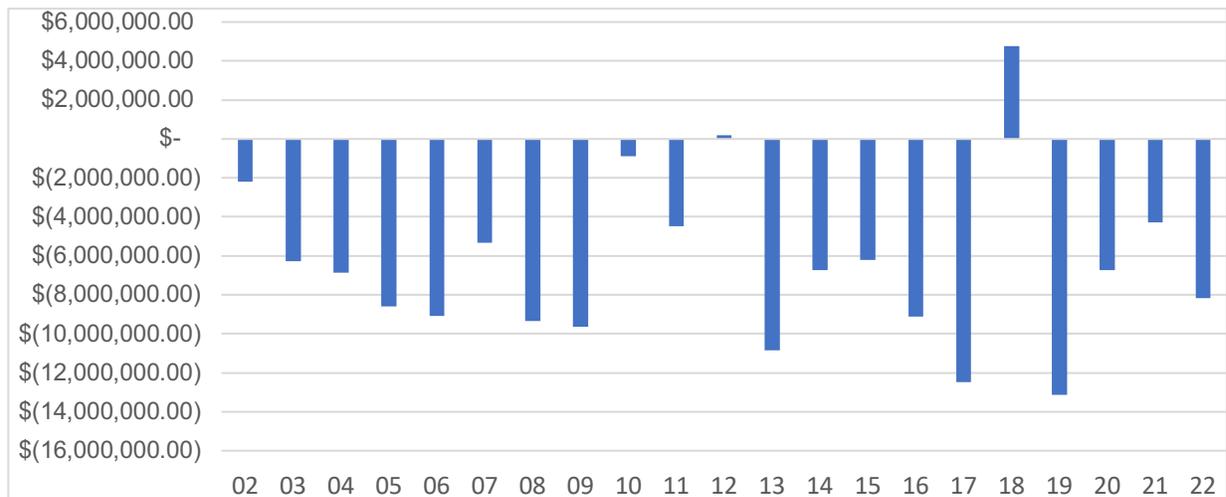
**Ex. 1: Unrestricted Cash at End of Fiscal Year**



From 2002-2022, there was a significant decline in the amount of cash on hand at the end of the fiscal year. From 2002-2008, the average amount on hand at the end of the FY was \$5.6MM. From 2013-2019, the average amount of unrestricted cash on hand at the end of the FY was \$2.1MM.

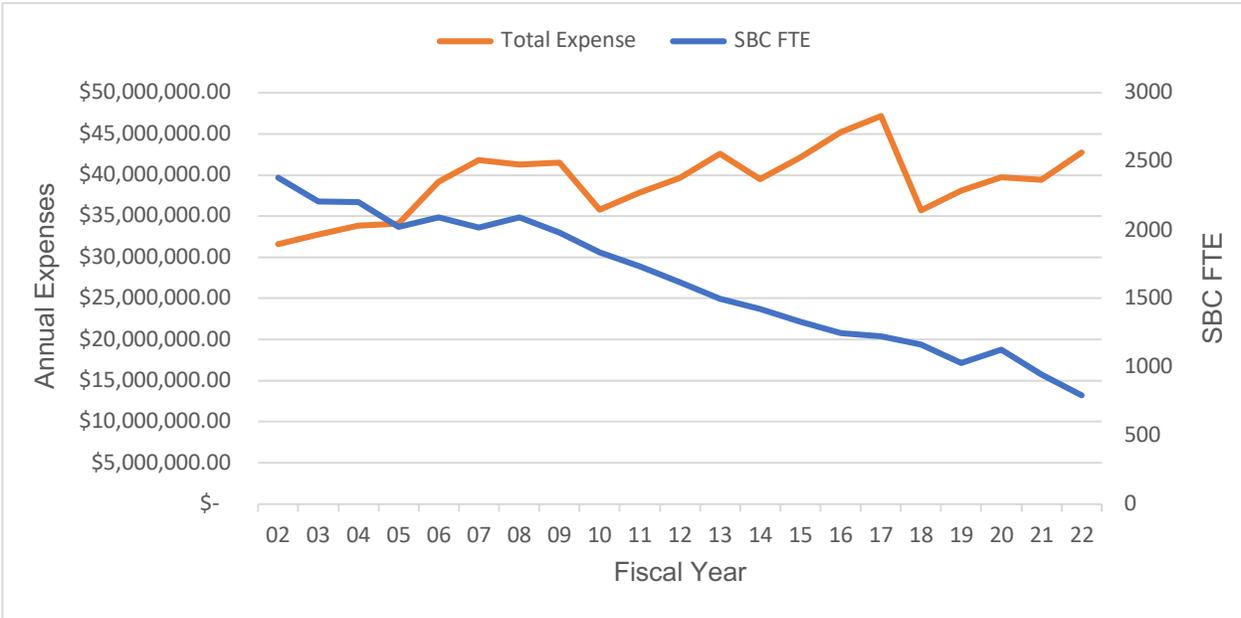
The exception to the trends in unrestricted cash were in 2010, 2011, 2020, and 2021. In 2010 and 2011, the increase in cash was due to the construction of MacGorman Chapel. In 2020 and 2021, the increase was due to a special distribution from the endowment, PPP loan, and the HERF legal settlement.

**Ex.2 Change in Unrestricted Net Assets by Fiscal Year (Excluding Investment Return)**



From 2002 through 2022, SWBTS ran an operational deficit 19 out of 21 years. The average annual deficit for this period of time was \$6.67MM. In short, the cause of SWBTS’s financial issues is that over the past 21 years the seminary has spent on average \$6.67MM more than it has received in revenue for 19 of those 21 years.

**Ex. 3: Annual Expenses vs. SBC FTE (2002-2022)**



This pattern of deficit spending is due in large part to inverse trends between annual operating expenses and enrollment. During this 21-year period, enrollment significantly declined resulting in a loss in tuition, Cooperative Program, and auxiliary revenues. During the period from 2002-2022, annual operating expenses increased by 35% while SBC FTE enrollment decreased by 67%. The result of this failure to reduce operating expenditures was a \$140.1MM cumulative operating deficit from 2002-2022.

During this 21-year period, the portion of the endowment managed by the seminary decreased in value by 5.45% in spite of at least \$24MM in contributions to the endowment. This failure to realize the growth potential of the endowment can be attributed to the timing of the transition to Southwestern Seminary Foundation in 2008 and the decision to take special distributions from the endowment in 2010, 2017, and 2020. These factors have resulted in an endowment with reduced purchasing power and unrealized potential revenue that could have offset increases in operational expenses.

**Conclusion**

- From 2002-2022, expenses continued to grow while enrollment decreased. The failure of SWBTS to navigate internal and external headwinds has resulted in a prolonged season of deficit spending that has depleted cash reserves. Since September 2022, steps have been taken to cut spending to ensure that expenses are lower than revenue, including annual budget cuts of \$3MM in the fall of 2022 with ongoing attention being given to opportunities for expense reduction.
- From 2002-2022, expenses exceeded revenue by a cumulative total of \$140.1MM. Included in this total are depreciation expenses that the seminary failed to fund in the annual budget. Some of this depreciation would have impacted the seminary’s cash position in the form of capital expenditures, while the remainder would have been non-cash losses.
- The failure to realize the growth potential of the seminary’s endowment has resulted in unrealized potential revenue that could have offset operational expenses.