

June 27, 2025

Dear Southwestern Friends:

I write to share the news that the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) has decided to extend Southwestern Seminary's sanctions for another year.

I want to thank Board members, administrators, faculty and staff, as well as students, donors, and friends, who have invested so much over the past 33 months for the good of Southwestern Seminary. For those who have worked so hard, sacrificed, served, prayed, given, supported, counseled, and encouraged, we are immensely grateful. The decision from SACSCOC, which cannot be appealed, does not in any way take away from the remarkable strides that have been made by the entire Southwestern community since the fall of 2022.

It is vital to recognize that all programs at Southwestern Baptist Theological Seminary remain fully accredited. While we recognize the seriousness of this decision, we are certainly grateful for the commendations from SACSCOC, noting "significant recent accomplishments in addressing noncompliance" and that "the institution has provided evidence which makes it reasonable for the Board to assume it will remedy all deficiencies within a 12-month period."

We respect the SACSCOC process and promise to work with them regarding next steps to ensure that the Seminary can be moved to good standing in June 2026. I want to invite you to join with me in asking the Lord for his ongoing help as we recommit ourselves to the good work that has been started.

## **Background**

During more than three decades as a president or chief academic officer, I have never seen an institution make as much progress in as short a period as Southwestern has made since the fall of 2022, especially given all the other dynamics and institutional factors (internally and externally) at work that needed to be addressed. While the SACSCOC sanctions have called for additional work and reports, the SACSCOC decisions have, nevertheless, helped all of us to refocus our

efforts in a more concerted way, resulting in a new sense of institutional stewardship and responsibility.

We acknowledge that we were **not in compliance** in the areas of 13.1 (**financial resources**) and 13.3 (**financial responsibility**) in 2022-2023, but the institution has now moved to a very different place than was the case in 2022. Actually, Southwestern's financial position, particularly related to operational budget matters, was measurably stronger in the spring of 2025 than was the case in the spring of 2021 when the institution's accreditation was reaffirmed. Southwestern, by God's grace, has reached an important level of financial stability, but the Seminary still needs to establish what SACSCOC refers to as "a pattern of financial stability." Our efforts will now be focused on ongoing stability as well as additional improvements.

### **Southwestern Seminary (2022-2025)**

In the fall of 2022, following a change in administration, Southwestern initiated efforts to **prioritize** institutional stewardship across the campus. We began to implement new plans and expectations, coupled with a commitment to our six new core values. We recognized that the **institutional culture** needed to change as much as the **financial** patterns. This process led to the adoption and implementation of a new Board Policy Manual with clear guidance regarding financial matters, which was paired with a new institutional strategic plan being adopted in the spring of 2023.

The new Board Policy Manual outlined ways for the Board of Trustees to take responsibility to ensure that the annual budget does not deviate materially from the mission and goals of the institution. The Business Administration Committee of the Board was authorized to provide guidance for the administration to develop financial and budgeting strategies to ensure the financial health of the institution.

The Board has taken responsibility, initiating steps to ensure that the institution will be able to allocate current expenses for depreciation consistent with the external auditor's assumptions and according to Generally Accepted Accounting Principles.

The Board has also taken responsibility to ensure that the administration develops and oversees a budget that contains enough detail to enable reasonable projections of revenue and expenses, separation of capital and operational items, as well as cash flow and subsequent audit trails. The Board has worked to ensure that the

institution does not risk financial jeopardy, which has been demonstrated by the elimination of short-term debt together with the establishment of cash reserves. The Board continues to take responsibility to see that the institution has sound financial resources and a stable base to support the mission of the institution's programs and services. It should also be noted that the Board has worked with the administration to ensure that oversight of the institution's resources is carried out in a responsible manner.

As we have stressed on several occasions in various contexts over the past few months, Southwestern has **ongoing work** to do, but we have **accepted responsibility** for the practices that led to serious financial challenges in previous years. SACSCOC was particularly concerned about what they saw in the institutional audit for the 2021-2022 year. When the July 31, 2022, audit was finalized during the fall of 2022, the report showed an operational loss of (\$8,911,823) and a decrease in net assets of (\$15,317,497). These financial challenges can be traced back to at least the 2019 fiscal year, when the operational losses for the institution were (\$9,987,176). SACSCOC has noted ongoing patterns of concern regarding financial matters that can be tracked prior to 2019.

Given these realities, it seems important for everyone to understand the demonstrable progress that has taken place in virtually every area of stated concern since the fall of 2022. This progress is highlighted with a brief review of a “**then and now**” snapshot.

## **2022 to 2025: Steps Toward Institutional Stability: A 33-Month Overview**

### **ENROLLMENT**

#### **Summer 2025**

Enrollment is significantly ahead of the past two summers and credit hours are up almost **600 hours** over the summer of 2024.

#### **Spring 2025**

**Enrollment: 2726** compared to **2711** last spring and **2640** in spring of 2023.

Moreover, the number of **credit hours** taught in the **spring of 2025** increased from **14,709** this past year to **14,990** this spring (improving from **13,337** in the spring of 2022 and **14,152** in the spring of 2023).

## **Fall 2024**

**Enrollment: 2850**, which compares to **2782** in the fall of 2023. This past fall reflected an increase in both total students and in new students, while credit hours taught increased from **15,342** to **15,821**.

## **Annual Non-duplicating Enrollment Comparisons from 2022 to 2024**

Non-duplicating annual enrollment: **3403** in 2022 compared to **3586** in 2024

Annual Credit Hours Taught: **33,253** in 2022 compared to **35,984** in 2024

Traditional FTE: **1375 to 1471** during this same period

## **FINANCIAL COMPARISONS**

**First Three Quarters of 2024-2025 Fiscal Year (unaudited for the period of August 1, 2024, to April 30, 2025).** We recognize that these numbers are incomplete, unaudited, and are subject to change since they represent an intermediate report for the current year. Still, the numbers appear positive at this time, showing steps forward compared to the same period last year. The seminary aims to balance the current budget and to fully fund depreciation in the 2024-2025 fiscal year, which through nine months appears to be moving in the right direction. Given that the 2025 fiscal year has not been completed, SACSCOC made their decision primarily based only on audited matters reported through the end of the 2024 fiscal year, which concluded on July 31, 2024. The markers of progress over the past ten months will be considered in June of 2026.

A comparison of the audited numbers from the 2022 and 2024 years provides an opportunity for a more definitive look at **Southwestern's progress**.

## **AUDITED FINANCIAL COMPARISONS FROM 2022 TO 2024**

### **Revenue**

Tuition/Fees Revenue: **\$12,414,811 to \$13,878,258**

Total Operating Revenue: **\$33,817,006 to \$37,485,493** (nearly \$3.7M increase in revenue)

### **Expenses**

Total Operating Expenses: **\$42,728,929 to \$38,450,683** (an overall operational decrease of about \$4.3M, significantly impacted by a decrease in full-time employees from **211 to less than 160**)

## **Overall Operations**

Southwestern saw a positive change to the operational budget of more than **\$8 million** during this two-year period and went from not funding depreciation at all in 2022 to funding approximately 70% of depreciation in 2024.

Basically, if one separates depreciation from the operational budget, the seminary in 2022 overspent the budget by \$6 million and then failed to fund depreciation at all (nearly \$3 million at 0%). During the 2024 year, the seminary balanced the operational budget (a \$6 million improvement itself) and then funded depreciation at nearly 70% (funding more than \$2 million toward annual depreciation of approximately \$3 million).

SACSCOC counseled Southwestern to try to do six things: find new revenue streams, reduce personnel, address the overall operational budget, eliminate short-term debt, sell something, and fund depreciation. Southwestern has worked hard to do the first five, with ongoing implications. By July 31, 2024, the institution had accomplished at least 70% of the sixth recommendation, with even greater improvement toward the full funding of depreciation in the 2024-2025 year.

## **Debt**

Southwestern's debt **decreased** from **\$17,495,422** in 2022 to **\$15,399,793** in 2024. Southwestern currently owes Frost Bank **\$13.4** million on the Williams Student Village Property. Southwestern has had **no short-term debt** since December of 2023 and there is no anticipation of a need to use the institutional credit line any time soon.

The short-term debt was **\$4.2** million in September of 2022 (having reached a high of \$6.8 million during the 2023 year). It is true that the short-term debt was eliminated from the proceeds of the sale of the Carroll Park property, but the institution's efforts to avoid additional short-term debt over the past 19 months have taken place through careful budget management. The sale of the Carroll Park property helped to strengthen available cash and to eliminate short-term debt, but the proceeds from the sale have not been aspects of the operational budget.

## **Total Liabilities**

**Decreased** from **\$32,536,289** to **\$20,650,940**

**Change in Net Assets without Donor Restrictions**

**Changed** from a decline of **(\$16,968,033)** in 2022 to an increase of **\$11,493,078** over the next two years

**Change in Net Assets with Donor Restrictions**

**Changed** from a decline of **(\$15,317,497)** in 2022 to an increase of **\$14,707,799** over the next two years

**Total Net Assets**

**Increased** from **\$258,557,963** to **\$277,230,247**, even as Plant, Property, and Equipment decreased during this period from \$130,637,967 to \$125,658,707

**Total Net Assets (without Plant, Property, and Equipment)**

**Increased** from **\$127,919,996** to **\$151,571,540**

**Change in Cash Position in Years 2022, 2023, and 2024**

**Changed** from a loss of **(\$4,948,829)** in 2022, to a gain of **\$1,097,752** in 2023, and an additional increase of **\$9,349,058** in 2024

**Cash and Cash Equivalents**

**Increased** from **\$1,720,068** to **\$12,137,428**

**Summary**

Overall, these numbers have resulted in a significant change in Southwestern's overall financial picture. In addition, our bankers, who have a vested interest in the institution and who understand well the institution's finances, have applauded the commendable progress that Southwestern has made since the fall of 2022.

Similarly, we remain grateful to God that Southwestern is one of the few seminaries in the world with an FTE enrollment of more than 1000, a library with holdings of more than 1,000,000, a campus with more than 150 acres, and an endowment of more than \$160,000,000, underscoring the adequate resources to advance the academic mission of the institution as well as the Seminary's strategic plan.

More could be added, but hopefully this overview provides enough information from the annual audits to demonstrate that Southwestern Seminary has moved from a time of **serious challenge and difficulty** to a time of **hope-filled stability**. We have reached a place of stability, but there is more work to do to reach a place of

health and flourishing. We will continue to work to make Southwestern a healthier and stronger place for our students in the days ahead.

We acknowledge, as SACSCOC has noted, that Southwestern Seminary has had a long-term pattern of challenges, financial and otherwise. Though the Seminary has made commendable and measurable progress in recent years, which was affirmed by SACSCOC, the Seminary recognizes the need to demonstrate that this is not just a point in time improvement. The Seminary will seek to give further evidence that the current positive direction can be sustained and continued with God's help and provision. As Southwestern works to show that these gains can be sustained, there will also be a need for ongoing improvement.

SACSCOC indicated appreciation for the Seminary's recent efforts, but they, nevertheless, acknowledged concerns about longer-term institutional patterns that stretch back over previous years. Five recent news articles from December of 2024 to June of 2025 have reported the improved financial position of Southwestern today compared to previous years.

### **Response to the SACSCOC Decision**

The bottom line is that the SACSCOC sanctions will continue for Southwestern for at least 12 more months. SACSCOC has acknowledged that Southwestern has done much of what they counseled us to do. They want to be sure that the operational changes are not merely punctiliar, brought about by the sale of property. The accreditors want to ensure that the Seminary does not fall back into previous patterns; instead, they want to see that the positive changes are now characteristic of the institution in an ongoing way. In this regard, their official notice indicates that **“the institution has demonstrated significant recent accomplishments in addressing non-compliance,”** and **“the institution has provided evidence which makes it reasonable for the Board to assume it will remedy all deficiencies within a 12-month period.”** It should also be noted that Southwestern Seminary currently remains in good standing with the Association of Theological Schools (ATS).

Southwestern pledges to continue its efforts toward faithful institutional stewardship. The Seminary will seek to demonstrate in the months ahead that the improvements that have been made are not merely short-term changes brought about by the sale of property but are longer-term patterns brought about by renewed and ongoing institutional commitments and practices.

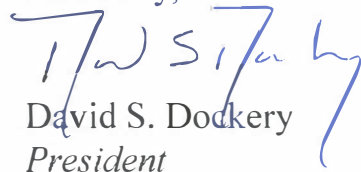
In the days to come, the Seminary will work hard not only to balance the operational budget, but to fully fund depreciation, to ensure that short-term debt is not employed, to take additional steps regarding operational improvements, and to make sure that all important reporting is included in the 2025 financial audit and future audits as well. Southwestern will gladly welcome the visiting SACSCOC team in the spring of 2026 and will do our best to provide a thorough update and report for the SACSCOC Board for their June 2026 meeting.

This decision must not be seen as a setback but only as further motivation to continue the institutional resolve and good progress that has been made to this point. The good news for students is that the institution and all degree programs **remain fully accredited**. We celebrate the progress of the past 33 months, offering thanksgiving to God. The SACSCOC decision does not in any way change or detract from the very real progress that has taken place since the fall of 2022. We will accept responsibility for seeking to address the concerns raised by SACSCOC, recognizing that Southwestern has been continued in accreditation for Good Cause and placed on Probation for twelve months.

We pledge to the Southwestern constituents and publics that Southwestern will work faithfully and responsibly concerning expectations from accreditors. I invite Southwesterners to join me with a new resolve for the sake of Southwesterners who have gone before us, for our shared love for our current students, and for our shared hopefulness regarding future students.

Together, we will work to seek first God's kingdom and his righteousness in all things, trusting in our providential God and acknowledging our full and complete dependence on him for his provision and protection for Southwestern in the days to come.

Faithfully,

  
David S. Dockery  
*President*