DENVER SEMINARY®

Financial Statements
With Independent Auditors' Report
and
Federal Awards in Accordance with the
Uniform Guidance

Year Ended June 30, 2017

CAPINCROUSE LLP

DENVER SEMINARY

Table of Contents

CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Denver Seminary
Littleton, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Denver Seminary (the Seminary), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

9085 E. Mineral Circle, Suite 305
Centennial, CO 80112
303.708.8518
capincrouse.com

Board of Trustees
Denver Seminary
Littleton, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Seminary as of June 30, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Comparative Information

The financial statements as of and for the year ended June 30, 2016, were audited by other auditors whose report dated October 5, 2016, expressed an unmodified opinion on those financial statements.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017 on our consideration of the Seminary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denver Seminary's internal control over financial reporting and compliance.

Capin Crouse LLP

Centennial, Colorado
October 13, 2017

DENVER SEMINARY

Statements of Financial Position

	June 30, 2017	June 30, 2016
ASSETS:		
Cash and cash equivalents	$ 1,910,987	$ 491,888
Restricted cash	537,930	521,319
Investments	15,601,801	14,404,026
Accounts receivable–net	177,801	161,888
Prepaid expenses and other assets	375,378	371,644
Trust assets	894,916	848,715
Property and equipment–net	18,887,014	20,014,901
Total Assets	$ 38,385,827	$ 36,814,381
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	$ 308,517	$ 262,728
Deferred revenue	725,505	604,168
Line of credit	100,000	700,000
Capital lease obligations	344,028	388,244
Interest rate swap	53,953	153,316
Annuity payable	233,797	261,247
Trust liability	636,446	613,509
Bonds payable–net	4,523,301	5,025,577
	6,925,547	8,008,789
Net assets:		
Unrestricted:		
Operating	11,977,771	12,861,805
Board-designated quasi endowments	2,465,725	2,357,100
	14,443,496	15,218,905
Temporarily restricted	9,650,101	6,318,483
Permanently restricted	7,366,683	7,268,204
	31,460,280	28,805,592
Total Liabilities and Net Assets	$ 38,385,827	$ 36,814,381

See notes to financial statements

DENVER SEMINARY

Statements of Activities

	Year Ended June 30,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:								
Tuition and fees	$ 7,708,905	$ -	$ -	$ 7,708,905	$ 7,363,220	$ -	$ -	$ 7,363,220
Less scholarships and grants	(1,411,993)	-	-	(1,411,993)	(1,392,464)	-	-	(1,392,464)
Net tuition and fees	6,296,912	-	-	6,296,912	5,970,756	-	-	5,970,756
Contributions	1,069,086	4,012,895	98,479	5,180,460	1,379,806	1,873,603	1,169,678	4,423,087
Auxiliary services and other	1,421,649	9,670	-	1,431,319	1,292,508	7,054	-	1,299,562
Total Revenue and Support	8,787,647	4,022,565	98,479	12,908,691	8,643,070	1,880,657	1,169,678	11,693,405
NET ASSETS RELEASED FROM:								
Purpose restrictions	2,105,091	(2,105,091)	-	-	1,700,050	(1,700,050)	-	-
EXPENSES:								
Compensation and benefits	8,563,425	-	-	8,563,425	8,282,876	-	-	8,282,876
Office	688,234	-	-	688,234	581,297	-	-	581,297
Advertising and printing	382,368	-	-	382,368	353,740	-	-	353,740
Travel, meals, and entertainment	372,659	-	-	372,659	400,226	-	-	400,226
Maintenance and repairs	359,607	-	-	359,607	343,977	-	-	343,977
Utilities and telephone	310,976	-	-	310,976	290,923	-	-	290,923
Professional services	229,342	-	-	229,342	171,709	-	-	171,709
Interest	154,990	-	-	154,990	141,339	-	-	141,339
Other	202,334	-	-	202,334	219,348	-	-	219,348
Total expenses before depreciation and amortization	11,263,935	-	-	11,263,935	10,785,435	-	-	10,785,435
Change in net assets from operations before depreciation and amortization	(371,197)	1,917,474	98,479	1,644,756	(442,315)	180,607	1,169,678	907,970

(continued)

See notes to financial statements

DENVER SEMINARY

Statements of Activities

(continued)

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Depreciation and amortization expense	1,405,434	-	-	1,405,434	1,425,436	-	-	1,425,436
Change in net assets from operating activities	(1,776,631)	1,917,474	98,479	239,322	(1,867,751)	180,607	1,169,678	(517,466)
NON-OPERATING ACTIVITY:								
Investment (loss) income	339,884	1,390,922	-	1,730,806	(45,707)	(402,441)	-	(448,148)
Mineral royalties income	632,865	-	-	632,865	438,603	-	-	438,603
Change in value of annuities and trusts	(70,890)	23,222	-	(47,668)	(78,458)	(16,407)	-	(94,865)
Change in value of interest rate swap	99,363	-	-	99,363	23,422	-	-	23,422
	1,001,222	1,414,144	-	2,415,366	337,860	(418,848)	-	(80,988)
Change in Net Assets	(775,409)	3,331,618	98,479	2,654,688	(1,529,891)	(238,241)	1,169,678	(598,454)
Net Assets, Beginning of Year	15,218,905	6,318,483	7,268,204	28,805,592	16,748,796	6,556,724	6,098,526	29,404,046
Net Assets, End of Year	$ 14,443,496	$ 9,650,101	$ 7,366,683	$ 31,460,280	$ 15,218,905	$ 6,318,483	$ 7,268,204	$ 28,805,592

See notes to financial statements

DENVER SEMINARY

Statements of Cash Flows

	Year Ended June 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,654,688	$ (598,454)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,405,434	1,425,436
Bad debt	27,630	37,121
Gift received of non-cash asset	-	(185,952)
Net realized and unrealized (gains) losses on investments and trusts	(1,427,176)	865,602
Change in value of annuities and trusts	47,668	94,865
Change in value of interest rate swap	(99,363)	(23,422)
Contributions restricted for long-term purposes	(98,479)	(1,593,886)
Change in operating assets and liabilities:		
Accounts receivable–net	(43,543)	12,889
Prepaid expenses and other assets	(3,734)	(100,685)
Accounts payable and other liabilities	45,789	(35,103)
Deferred revenue	121,337	34,953
Net Cash Provided (Used) by Operating Activities	2,630,251	(66,636)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in restricted cash	(16,611)	(14,747)
Purchase of investments	(1,907,545)	(1,836,408)
Proceeds from sale of investments	2,131,278	677,798
Purchases of property and equipment	(106,697)	(313,415)
Net Cash Provided (Used) by Investing Activities	100,425	(1,486,772)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line-of credit	800,000	400,000
Payments on line-of-credit	(1,400,000)	-
Payments on capital lease obligations	(207,342)	(180,494)
Payments on bonds payable	(510,000)	(495,000)
Contributions restricted for long-term purposes	98,479	1,593,886
Payments on annuities	(92,714)	(96,828)
Net Cash Provided (Used) by Financing Activities	(1,311,577)	1,221,564
Change in Cash and Cash Equivalents	1,419,099	(331,844)
Cash and Cash Equivalents, Beginning of Year	491,888	823,732
Cash and Cash Equivalents, End of Year	$ 1,910,987	$ 491,888
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEM:		
Cash paid for interest ($0 was capitalized for the years ended June 30, 2017 and 2016)	$ 157,373	$ 144,224
Property and equipment additions financed through capital leases	$ 163,126	$ -

See notes to financial statements

DENVER SEMINARY

Notes to Financial Statements

June 30, 2017 and 2016

1. NATURE OF ORGANIZATION:

Denver Seminary (the Seminary) offers the Doctor of Ministry, Master of Divinity (M.Div.) and Master of Arts (M.A.) degrees from its campuses in Littleton, Colorado, Amarillo, Texas, and Landover, Maryland, in a variety of formats. Emphases are offered in biblical studies, philosophy of religion, counseling, educational ministries and administration, world Christianity, and youth and family ministries.

The Doctor of Ministry degree is an applicational degree. Students learn how to apply knowledge effectively in their ministry. Men and women in ministry improve their skills and enlarge their vision in order to be effective in ministry at the doctoral level. Research is carried through to action.

The M.Div. degree is designed primarily to prepare persons for church ministries requiring ordination. It also prepares students for doctoral-level studies in many theological schools. As the standard ministerial degree program, its depth and scope equip students for varied church and mission vocations. The M.Div. degree program consists of core courses (with some flexibility built into that core), and the balance of hours are either open electives or a combination of an optional concentration and open electives for a total of 78 semester hours.

The M.A. program is intended primarily for students who plan to engage in Christian service requiring training different from the Master of Divinity degree. By studying intensively in an area of specialization, the student will be equipped to serve in a specific capacity needed in the Christian community. All M.A. degrees include a basic 27-hour core curriculum giving students a solid biblical and theological foundation for their specialization. A dozen specialized majors and concentrations are offered in the M.A. program to enable students to achieve their career goals. M.A. programs range from 50 hours to 60 hours in length.

The Seminary also offers and number of master's level certificate programs ranging in length from 10 to 24 hours.

The Seminary is accredited by the Association of Theological Schools and the Higher Learning Commission of the North Central Association of Colleges and Schools. Its M.A. counseling (licensure) program is further accredited by the Council for Accreditation of Counseling and Related Educational Programs. The Seminary is also accredited to offer CPE training by the Association of Clinical Pastoral Education and has been approved by the same organization as a Clinical Pastoral Education (CPE) training center. The center offers CPE Level 1, Level II, and supervisory education CPE units for matriculated Seminary students.

The Seminary is a nonprofit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code (IRC) and comparable state law(s). However, the Seminary is subject to federal income tax on any unrelated business taxable income. In addition the Seminary is not classified as a private foundation within the meaning of Section 509(c) of the IRC. The primary source of support and revenue for the Seminary is tuition and fees and contributions.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader. The Seminary uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

CASH AND CASH EQUIVALENTS

Cash consists of petty cash, checking accounts, and commercial paper. The Seminary maintains its cash and cash equivalents in bank accounts which may, at times, exceed federally insured limits. The Seminary has not experienced any material losses in such accounts.

RESTRICTED CASH

Restricted cash consists of cash to be used solely for the payments of principal and interest on the bonds, as described in note 9. Certain balances must be maintained to comply with bond covenants. There have been no violations of restricted balances in accordance with the bond covenants.

INVESTMENTS AND TRUST ASSETS

Investments and trust assets held in equity and debt securities are stated at fair value. The alternative investments are carried at fair value or net asset value per share. Unrealized and realized gains and losses are included in the statements of activities as non-operating activities.

ACCOUNTS RECEIVABLE

Accounts receivable primarily consists of amounts due from students for tuition. Receivables are recorded net of an allowance for doubtful accounts of $20,000 as of June 30, 2017 and 2016, which is based on the aging of the accounts receivable at year-end. The allowance for uncollectible amounts are continually reviewed by management and adjusted to maintain the allowance at a level considered adequate to cover future losses. Accounts over $400 are forwarded to collections within 90 days of the account being deemed uncollectible. These amounts are written off as bad debt at the time they are forwarded to collections.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost if acquired or at fair market at the date of gift, if donated. The Seminary capitalizes fixed asset greater than $1,000. Depreciation and amortization is computed on a straight-line basis over the following estimated useful lives of the assets:

Buildings and improvements	10 to 40 years
Land improvements	10 to 20 years
Equipment and furnishings	3 to 10 years
Library books	10 years

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

GIFT ANNUITY PAYABLE
Annuity contracts are recorded as liabilities at the present value of the aggregate payments due to annuitants, based upon acceptable life expectancy tables. Remainder interests to the Seminary are reported in net assets based on purpose and intent of the donor.

REVOCABLE TRUSTS
As trustee, the Seminary administers revocable (grantor) trusts that provide for a beneficial interest to the Seminary at the grantor's death. Because the trusts are revocable at the discretion of the grantor, the principal amounts provided are recorded as liabilities at the fair market value. The remaining trust assets will be recorded in the statements of activities as contributions when the agreements become irrevocable or when the assets are distributed to the Seminary for its unconditional use.

IRREVOCABLE TRUSTS
As trustee, the Seminary administers irrevocable trusts, charitable remainder unitrusts, and charitable remainder annuity trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. A liability is recorded for the present value of estimated future payments due to beneficiaries using a discount rate stated in the agreement. The recorded amount of trust assets and liabilities changes each year as the result of changes in the market value of the trust assets, earnings, payments to beneficiaries, and changes in actuarial assumptions. The net effect of those changes are recorded as a change in value of annuities and trusts in the statement of activities. Upon the death of the lifetime beneficiaries, any remaining amounts in the asset or liability accounts will be recognized as a change in value in the statements of activities.

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

Unrestricted net assets are those resources currently available at the direction of the board for use in the Seminary’s operations, board designated quasi-endowments, and those resources invested in property and equipment–net.

Temporarily restricted net assets are those resources which are stipulated by donors for specific purposes and resources provided through irrevocable trusts subject to the expiration of the time restrictions on beneficial interests to other parties. Temporarily restricted net assets also include cumulative earnings on permanently restricted endowments that have not been appropriated for expenditure. As well as term endowments that will be distributed over a 10 to 20 year period.

Permanently restricted net assets are those resources contributed with donor restrictions requiring they be held in perpetuity.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND SUPPORT

Tuition and fees revenue is recognized when earned, which is when classes occur. Tuition payments made in advance are deferred as a liability and are included in deferred revenue on the statements of financial position.

Contributions are recorded when made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Seminary. Gifts of cash and other assets are recognized as unrestricted contributions unless 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Seminary reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived 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 long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Seminary reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Gift-in-kind contributions include donated services and donated use of facilities at the Maryland and Texas campus locations. These amounts totaled $312,108 and $350,619 for the years ended June 30, 2017 and 2016, respectively, and are included with contributions on the statements of activities.

Auxiliary services and other income consist primarily of housing fees. These amounts are recorded when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

note 16 presents expenses by functional classification in accordance with the overall mission of the Seminary. Each functional classification displays most expenses related to the underlying natural classification. Fringe benefits are allocated to all services on a pro rata basis of total direct salary expenses incurred. Allocations of certain overhead and depreciation costs are also allocated to program services and supporting activities proportionally based on the percentage of full-time employees and percentage of total space occupied by each service. The Seminary had no identified joint costs for the years ended June 30, 2017 and 2016.

ADVERTISING COSTS

Advertising costs for the years ended June 30, 2017 and 2016 of $119,483 and $132,028, respectively, are expensed as incurred and included in the statements of activities.

DENVER SEMINARY

Notes to Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

OPERATING AND NON-OPERATING ACTIVITIES

The activity of the Seminary has been reported in the statements of activities in the following two categories: operating and non-operating. Operating includes the core educational activities of the organization. Non-operating includes all other activity that is not considered to be "core educational," such as investment income, mineral royalties, change in interest rate swap, and change in value of annuities and trusts.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

The Financial Standards Accounting Board recently issued an accounting standards update to the Fair Value Measurements Topic of the Accounting Standards Codification. The new standard requires the removal of investments for which fair value is measured at net asset value from the fair value hierarchy. The Seminary adopted this accounting standards update during the year ended June 30, 2017. The only impact was the removal of investments measured using net asset value as a practical expedient for measuring fair value from the fair value hierarchy in note 13.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year presentation.

3. INVESTMENTS:

Investments consist of:

	June 30, 2017	June 30, 2016
Cash and cash equivalents	$ 136,338	$ 112,128
Equity securities	10,457,742	9,717,243
Bond and government securities	3,016,673	2,827,990
Alternatives	1,991,048	1,746,665
	$ 15,601,801	$ 14,404,026

3. INVESTMENTS, continued:

Investment income (loss) consists of:

	Year Ended June 30, 2017	Year Ended June 30, 2016
Interest and dividends	$ 342,803	$ 417,454
Net realized and unrealized gains (losses)	1,388,003	(865,602)
	$ 1,730,806	$ (448,148)

The Seminary incurred investment management fees of $50,121 and $41,438 for the years ended June 30, 2017 and 2016, respectively. These fees are netted against interest and dividends.

4. TRUST ASSETS AND LIABILITIES:

Trust assets consist of:

	June 30, 2017	June 30, 2016
Cash and cash equivalents	$ 5,241	$ 2,884
Equity securities	613,047	577,279
Bond and government securities	152,185	149,713
Alternatives	124,443	118,839
	$ 894,916	$ 848,715

Trust liabilities consist of:

	June 30, 2017	June 30, 2016
Revocable	$ 610,300	$ 587,373
Irrevocable	26,146	26,136
	$ 636,446	$ 613,509

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	June 30,	
	2017	2016
Land and land improvements	$ 3,264,327	$ 3,264,327
Building and improvements	23,478,314	23,393,613
Equipment and furnishings	3,748,508	3,661,575
Library books	3,452,511	3,387,737
Art collection	185,952	185,952
	34,129,612	33,893,204
Less accumulated depreciation and amortization	(15,242,598)	(13,878,303)
	$ 18,887,014	$ 20,014,901

Depreciation and amortization expense, related to property and equipment, was $1,397,710 and $1,417,712 for the years ended June 30, 2017 and 2016, respectively.

6. LINE OF CREDIT:

The Seminary has entered into a line of credit agreement with a financial institution, and it is available to the Seminary for a maximum amount of $1,250,000. The stated interest rate is Wall Street Journal Prime rate, which was 4.25% as of June 30, 2017. The agreement matures in November 2017.

7. CAPITAL LEASE OBLIGATIONS:

The Seminary has acquired equipment under capital lease arrangements. The cost of this equipment was $918,843 and $755,717 as of June 30, 2017 and 2016, respectively. The related accumulated amortization was $671,473 and $542,152 as of June 30, 2017 and 2016, respectively. Amortization expense for the leased property and equipment is included in depreciation and amortization on the statements of financial position. Future minimum lease payments are:

Year Ending June 30,	
2018	$ 231,313
2019	88,735
2020	34,907
	354,955
Less interest expense	(10,927)
	$ 344,028

8. LETTER OF CREDIT:

Upon issuance of bonds payable, the Seminary obtained a letter of credit with a financial institution in the original amount of $9,500,000, $4,675,746 as of June 30, 2017. The letter of credit renews each year until the Seminary or bond issuer terminates the letter of credit or the bonds are repaid. The stated amount of the letter of credit was decreased to coincide with the bonds payable principal due as part of the latest renewal. The extended maturity is July 2018.

9. BONDS PAYABLE–NET:

In July 2014, the Seminary issued $9,500,000 in Colorado Educational and Cultural Facilities Authority (the Authority) Variable Rate Demand Revenue Bonds Series 2004 (Series 2004 Bonds) to fund the construction of its new campus. Principal is due annually and interest accrues at a variable rate (1% as of June 30, 2017) on approximately $380,000 of the balance and a fixed rate of 2.18% on the remaining balance under an interest swap agreement (Note 10). Interest on outstanding bonds is paid quarterly and the bond agreement requires quarterly deposits into a bond payment account for the reduction of principal on the bonds. The first principal payment occurred July 2006. The Series 2014 Bonds are net of a discount of $33,648 and $35,627 as of June 30, 2017 and 2016, respectively. They are secured by a letter of credit (Note 8) and is collateralized by certain facilities, receivables, and other revenues of the Seminary. The Series 2004 Bonds mature July 2034.

Bond issuance costs are recorded at cost and are amortized over the term of the bond payable agreement using the straight-line method, which approximates the effective-interest method. Accumulated amortization related to the bond issuance costs are $97,265 and $89,541 as of June 30, 2017 and 2016, respectively. Bond issuance costs are netted against bonds payable on the statements of financial position.

The Seminary was in compliance with all bond covenants as of June 30, 2017.

Bonds payable–net consist of:

	June 30,	
	2017	2016
Bonds payable–net	$ 4,634,140	$ 5,144,140
Less bond issuance costs–net	(110,839)	(118,563)
	$ 4,523,301	$ 5,025,577

9. BONDS PAYABLE–NET, continued:

Annual bond payable maturities:

Year Ending June 30,	
2018	$ 520,000
2019	540,000
2020	555,000
2021	570,000
2022	585,000
Thereafter	1,864,140
	$ 4,634,140

10. INTEREST RATE SWAP AGREEMENT:

In January 2014, the Seminary entered into an interest rate swap agreement with a notional amount of $4,255,000 as of June 30, 2017 to provide the cash flow consistency of a fixed rate while maintaining the flexibility of a variable-rate tax-free financing on the Seminary's bonds payable (note 9). Under this agreement, the Seminary makes or receives payments based on the difference between the fixed interest rate of 2.18% and the floating rate of the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. The interest rate swap agreement contains a declining notional amount and matures July 2014.

The fair market value of the interest rate swap agreement as of June 30, 2017 and 2016 was $53,953 and $153,316, respectively, which is reflected as a liability in the statements of financial position. There was a $99,363 and $23,422 change in the fair market value of the interest rate swap agreement for the years ended June 30, 2017 and 2016, respectively, which is reflected in the statements of activities.

11. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2017	2016
Projects	$ 3,736,434	$ 1,527,996
Term endowments	3,336,616	2,894,931
Endowment funds	2,333,200	1,670,294
Irrevocable charitable trusts	243,851	225,262
	$ 9,650,101	$ 6,318,483

12. ENDOWMENT FUNDS:

The Seminary's endowments consist of various individual funds established for a variety of purposes. Endowment funds include board-designated, term endowments, and donor-restricted endowment funds for scholarships, lectureships, academic chairs, and other purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including board-designated, are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of the Seminary has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (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 permanently restricted net assets (a) the original value of the 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Seminary 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; and
7. The investment policy of the institution.

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 endowments while seeking to maintain the purchasing power of the endowments' assets. Endowment assets include those assets of donor-restricted funds that the Seminary must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board, the endowment assets are invested to provide safety through diversification in a portfolio of money market funds, securities, and bonds, which may reflect varying risks and rates of return. The Seminary expects its endowment funds, over time, to provide an average rate of return matching the Consumer Price Index plus 5%, after all management, trustee, and custodian fees. Actual returns in any given year may vary from this amount.

12. ENDOWMENT FUNDS, continued:

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 greater emphasis on equity-based and alternative investments to assist in achieving 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 the trailing three-year average of each fund's total asset value. The approved spending policy was 4.5% for the years ended June 30, 2017 and 2016. In establishing this policy, the Seminary considered the long-term expected return on its endowments. Accordingly, over the long-term, the Seminary expects the current spending policy to allow its endowments to grow at an average of 3% annually. This is consistent with the Seminary's objective to maintain the purchasing power of the endowments' assets held in perpetuity, or for a specified term, as well as provide additional real growth through new gifts and investment return.

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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $0 and $7,553, as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the board.

Endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Term Endowments	Temporarily Restricted	Permanently Restricted	Total
Donor restricted for:					
Scholarships	$ -	$ 1,441,013	$ 1,073,697	$ 3,858,439	$ 6,373,149
Academic Chairs	-	-	982,112	1,820,459	2,802,571
Lectureships	-	-	140,501	308,028	448,529
Other	-	1,895,603	136,890	1,379,757	3,412,250
Board-designated	2,465,725	-	-	-	2,465,725
	$ 2,465,725	$ 3,336,616	$ 2,333,200	$ 7,366,683	$ 15,502,224

12. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Term Endowments	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	$ 2,357,100	$ 2,894,931	$ 1,670,294	$ 7,268,204	$14,190,529
Investment return:					
Interest and dividends	40,916	97,888	188,771	-	327,575
Realized losses	(1,416)	(91,538)	(176,523)	-	(269,477)
Net appreciation	264,125	468,618	903,695	-	1,636,438
Total investment return	303,625	474,968	915,943	-	1,694,536
Contributions	-	168,336	-	98,479	266,815
Appropriation of endowment assets for expenditure	(195,000)	(201,619)	(253,037)	-	(649,656)
Endowment net assets, June 30, 2017	$ 2,465,725	$ 3,336,616	$ 2,333,200	$ 7,366,683	$15,502,224

Endowment net asset composition by type of fund as of June 30, 2016:

	Unrestricted	Term Endowments	Temporarily Restricted	Permanently Restricted	Total
Donor restricted for:					
Scholarships	$ -	$ 1,115,945	$ 667,961	$ 3,767,470	$ 5,551,376
Academic Chairs	-	-	796,321	1,812,949	2,609,270
Lectureships	-	-	101,791	308,028	409,819
Other	-	1,778,986	104,221	1,379,757	3,262,964
Board-designated	2,357,100	-	-	-	2,357,100
	$ 2,357,100	$ 2,894,931	$ 1,670,294	$ 7,268,204	$14,190,529

12. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Term Endowments	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	$ 2,529,725	$ 2,788,620	$ 2,174,522	$ 6,098,526	$13,591,393
Investment return:					
Interest and dividends	62,505	132,912	277,287	-	472,704
Realized losses	(13,259)	(3,309)	(6,903)	-	(23,471)
Net depreciation	(96,319)	(259,999)	(542,425)	-	(898,743)
Total investment return	(47,073)	(130,396)	(272,041)	-	(449,510)
Contributions	-	424,207	-	1,169,678	1,593,885
Appropriation of endowment assets for expenditure	(125,552)	(187,500)	(232,187)	-	(545,239)
Endowment net assets, June 30, 2016	$ 2,357,100	$ 2,894,931	$ 1,670,294	$ 7,268,204	$14,190,529

13. FAIR VALUE MEASUREMENTS:

The Seminary uses appropriate valuation techniques to determine fair value based on inputs available. When possible, the Seminary measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Assets and liabilities measured on a recurring basis and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. For the Seminary, level 1 investments consist of equity securities, bond and government securities and certain alternative investments. Bond and government securities and alternative investments included in level 1 are actively traded mutual funds.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value is determine through the use of models or other valuation methodologies. For the Seminary, level 2 investments consist of an interest rate swap. The fair value of the interest rate swap uses a model that employs an income valuation approach by calculating the present value of future expected cash flow using discount factors based on market interest rates.

13. FAIR VALUE MEASUREMENTS, continued:

Assets and liabilities measured on a recurring basis and reported at fair value are classified and disclosed in one of the following categories, continued:

Level 3: Pricing inputs are unobservable for the investments and include situations where there is a little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgement or estimation. For the Seminary, there were no level 3 investments held for the years ended June 30, 2017 and 2016.

The following table presents the fair value measurements of assets and liabilities on a recurring basis as of June 30, 2017 and 2016.

		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
June 30, 2017:				
Assets:				
Investments and trust assets:				
Equity securities:				
Large-cap	$ 3,670,083	$ 3,670,083	$ -	$ -
International value	2,413,869	2,413,869	-	-
Mid-cap	1,016,460	1,016,460	-	-
Emerging markets	877,073	877,073	-	-
Master limited partnerships	686,022	686,022	-	-
Commodities	684,821	684,821	-	-
Small-cap	440,176	440,176	-	-
Bonds and government securities:				
Floating rate corporate loans	1,285,557	1,285,557	-	-
Fixed income	934,111	934,111	-	-
High yield fixed income	430,275	430,275	-	-
Alternative investments:				
Low correlated hedge mutual funds	1,171,801	1,171,801	-	-
Liabilities:				
Interest rate swap	53,953	-	53,953	-

13. FAIR VALUE MEASUREMENTS, continued:

	Fair Value	Fair Value Measurements Using: Level 1	Level 2	Level 3
June 30, 2016:				
Assets:				
Investments and trust assets:				
Equity securities:				
Large-cap	$ 3,801,476	$ 3,801,476	$ -	$ -
International value	2,131,718	2,131,718	-	-
Mid-cap	956,400	956,400	-	-
Emerging markets	841,022	841,022	-	-
Master limited partnerships	374,155	374,155	-	-
Commodities	699,042	699,042	-	-
Small-cap	412,761	412,761	-	-
Bonds and government securities:				
Floating rate corporate loans	1,211,116	1,211,116	-	-
Fixed income	838,536	838,536	-	-
High yield fixed income	409,136	409,136	-	-
Alternative investments:				
Low correlated hedge mutual funds	155,347	155,347	-	-
Liabilities:				
Interest rate swap	153,316	-	153,316	-

Changes in valuation techniques: None.

The Seminary has a number of financial instruments, consisting of cash and cash equivalents, accounts receivable, and bonds payable. None of the financial instruments are held for trading purposes. As of June 30, 2017 and 2016, the Seminary estimates that the fair value of these financial instruments does not materially differ from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

13. FAIR VALUE MEASUREMENTS, continued:

The Seminary uses the Net Asset Value (NAV) to determine the fair value for all investments which (1) do not have a readily determinable fair value and (2) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. Investments in certain entities that calculate net asset value per share are as follows:

Fund Description	June 30, 2017 Fair Value	June 30, 2016 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Skybridge Multi-Adviser Hedge Fund	$ -	$ 988,277	None	Quarterly	65 days
Lighthouse Global Long/Short Fund	943,690	721,880	None	Monthly or Quarterly	60 to 90 days
Commonfund:					
Multi-strategy Equity Fund	1,282,285	1,077,948	None	Monthly	5 days
Multi-strategy Bond Fund	518,915	510,714	None	Monthly	5 days
	$ 2,744,890	$ 3,298,819			

These funds employ a strategy to achieve capital appreciation by investing in a range of trading strategies, including equity and debt funds, in order to diversify risk and reduce volatility.

14. LAND LEASE INCOME:

In May 2009, the Seminary entered into a land lease agreement with a third party that allows the third party to have drilling rights on the land. Drilling has been completed and the Seminary is paid one-sixth of the net proceeds received by the their party from the sale of such substances extracted from the land. The Seminary received proceeds under the agreement of $632,865 and $438,603 for the years ended June 30, 2017 and 2016, respectively. Income from this agreement is expected to continue, however, an asset has not been recorded as future amounts are not able to be calculated.

15. RETIREMENT PLAN:

The Seminary has established a defined contribution benefit plan (the Plan), which operated under Section 403(b) of the Internal Revenue Code. All non-student Seminary employees working over 1,000 hours per year are eligible to participate in the Plan. The Seminary matches all full-time employee contributions up to 5% of compensation. All contributions to the Plan are fully vested. Employer contributions were $295,018 and $266,067 for the years ended June 30, 2017 and 2016, respectively.

16. FUNCTIONAL EXPENSES:

The costs of providing various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as deprecation and salaries, have been allocated among the programs and supporting activities benefited. Expenses have been allocated as follows:

	Years Ended June 30,	
	2017	2016
Program services:		
Instruction	$ 5,995,224	$ 5,540,730
Student services	1,756,340	1,663,857
Academic support	1,606,153	1,801,655
Auxiliary enterprises	860,043	877,185
Public service	479,210	428,794
	10,696,970	10,312,221
Supporting activities:		
Institutional support	1,078,025	1,049,599
Advancement	894,374	849,051
	1,972,399	1,898,650
	$ 12,669,369	$ 12,210,871

17. RELATED PARTY TRANSACTION:

A member of the board of trustees is a small minority owner of the investment advisory firm who manages the Seminary’s endowment funds. During the years ended June 30, 2017 and 2016, the Seminary paid investment fees of $30,974 and $30,668, respectively, to this firm.

18. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 13, 2017, which is the date the financial statements were available to be issued.

FEDERAL AWARDS

DENVER SEMINARY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER:		
U.S. Department of Education:		
Federal Direct Student Loan Program	84.268	$ 4,455,977
Federal Work-Study Program	84.033	69,777
Total Student Financial Assistance Cluster		4,525,754
Total Expenditures of Federal Awards		$ 4,525,754

See notes to schedule of expenditures of federal awards

DENVER SEMINARY

Notes to Schedule of Expenditures of Federal Awards

June 30, 2017

A. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Denver Seminary (the Seminary) under programs of the federal government for the year ending June 30, 2017. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Although the Seminary is required to match certain grants, as defined by the grants, no such matching has been included as expenditures in the schedule.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Seminary has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

C. RELATIONSHIP TO FINANCIAL STATEMENTS:

The amount of total expenditures of federal awards reconciles to the revenue in the statement of activities as follows:

Total expenditures of federal awards	$	4,525,754
Less:		
Federal Direct Student Loan Program		(4,455,977)
Government grants per statement of activities included in auxiliary services and other	$	69,777

D. SUBRECIPIENTS, NON-CASH ASSISTANCE, FEDERAL INSURANCE, LOANS, AND LOAN GUARANTEES:

The Seminary did not provide any federal funds to subrecipients nor did they receive any federal non-cash assistance, insurance, loans, or loan guarantees.

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

Board of Trustees
Denver Seminary
Littleton, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States, the financial statements of Denver Seminary (the Seminary), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the yeas then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control Over Financial Reporting
In planning and performing our audits of the financial statements, we considered the Seminary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Seminary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Seminary's internal control.

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

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

9085 E. Mineral Circle, Suite 305
Centennial, CO 80112
303.708.8518
capincrouse.com

Board of Trustees
Denver Seminary
Littleton, Colorado

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Seminary in a separate letter dated October 13, 2017.

Purpose of This Report

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

Capin Crouse LLP

Centennial, Colorado
October 13, 2017

CAPINCROUSE LLP

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

Board of Trustees
Denver Seminary
Littleton, Colorado

Report on Compliance for Each Major Federal Program
We have audited Denver Seminary's (the Seminary) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Seminary's major federal programs for the year ended June 30, 2017. The Seminary's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the Seminary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Seminary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Seminary's compliance.

Opinion on Each Major Federal Program
In our opinion, Denver Seminary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

9085 E. Mineral Circle, Suite 305
Centennial, CO 80112
303.708.8518
capincrouse.com

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

The Seminary's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Seminary's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Seminary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Seminary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Seminary's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

Capin Crouse LLP

Centennial, Colorado
October 13, 2017

DENVER SEMINARY

Schedule of Findings and Questioned Costs

June 30, 2017

Section I - Summary of Audit Results

Financial Statements:

Type of auditors' report issued: unmodified

Internal control over financial reporting:

• Material weakness(es) identified?		yes	✔	no
• Significant deficiency(ies) identified that are not considered a material weakness?		yes	✔	none reported
Noncompliance material to financial statements noted?		yes	✔	no

Federal Awards:

Internal control over major programs:

• Material weakness(es) identified?		yes	✔	no
• Significant deficiency(ies) identified that are not considered a material weakness?		yes	✔	none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings that are required to be reported in accordance with 2 CFR Part 200.516(a)?	✔	yes		no

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
84.268, 84.033	Student Financial Assistance

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?	✔	yes		no

DENVER SEMINARY

Schedule of Findings and Questioned Costs

June 30, 2017

Section II - Financial Statement Findings

There are no current findings in internal control over financial reporting required to be reported in accordance with *Government Auditing Standards.*

Section III - Federal Award Findings and Questioned Costs

2017-001 Reporting Enrollment Status Changes to National Student Loan Data System (NSLDS)

DEPARTMENT OF EDUCATION
CFDA #: 84.268, Federal Direct Loans
Federal Award Identification # 2016-2017 Aid Year

Condition: The Seminary did not report enrollment status to NSLDS accurately and timely.

Criteria: 34 CFR 685.309(b)

Questioned Costs: $-0-

Context: Out of 40 students tested, 3 students were not correctly updated. One initially did not have a record found; one withdrawal had an effective date 13 days later than the actual withdrawal; and one initially displayed withdrawn in a previous year when it should have been less than half time in fall and half time in spring. All three students were corrected during the audit process.

Effect: Inaccurate or late reporting can impact a student's loan grace period, in school deferment eligibility, beginning loan repayments, appropriate interest charges, etc.

Cause: The Seminary relies on reports from the academic division to submit changes to NSLDS. The reports used did not have the most accurate information.

Statistically Valid Sample: Yes

Identification as Repeat Finding, if applicable: No

Recommendation: We recommend the Seminary discuss with the IT department the best way to customize the reporting system to capture information in order to consistently and accurately submit updates to NSLDS.

Views of Responsible Officials: Management is in agreement with the finding and is in the process of resolving the issue. See attached corrective action plan.

Section III - Federal Award Findings and Questioned Costs, continued

2017-002 Updating Common Origination and Disbursement (COD) with Actual Disbursement Dates

DEPARTMENT OF EDUCATION
CFDA #: 84.268, Federal Direct Loans
Federal Award Identification # 2016-2017 Aid Year

Condition: Federal direct loan (FDL) disbursement dates were not always updated in COD with the actual disbursement date.

Criteria: 34 CFR 668.164(a)

Questioned Costs: $-0-

Context: Out of 40 students, 1 student's FDL disbursement for a term was reported as the anticipated disbursement date rather than the actual date the loan was disbursed to the student's account. This student was updated during the audit process.

Effect: COD was not updated with the actual disbursement date which affects the interest amount accrued for the student's repayment amounts.

Cause: This was an administrative oversight for a disbursement later in the semester.

Statistically Valid Sample: Yes

Identification as Repeat Finding, if applicable: No

Recommendation: We recommend the Seminary double check students whose federal direct loans are disbursed outside of the normal anticipated disbursement dates to make sure their COD information is correct.

Views of Responsible Officials: Management is in agreement with the finding and is in the process of resolving the issue. See attached corrective action plan.

DENVER SEMINARY

Auditee Summary Schedule of Prior Audit Findings

June 30, 2017

Financial Statement Findings

There were no prior year findings in internal control over financial reporting.

Federal Award Findings

There were no prior year findings or questioned costs.

DENVER SEMINARY

Auditee Corrective Action Plan
June 30, 2017

Finding Number: 2017-001 Reporting Enrollment Status Changes to NSLDS

Planned Corrective Action: Enrollment statuses for records found during the audit were corrected during the audit process. Also, the Financial Aid department will continue running regular reports and will institute on a regular basis a process to confirm with the Registrar's Office and IT the accuracy of withdrawal and drop dates prior to reporting them to NSLDS. The department will also ensure that the information is reported within a timely manner in the future.

Person Responsible for Corrective Action Plan: Director of Financial Aid (now Mandy Musso)

Anticipated Date of Completion: Completed on 08/04/2017 by Michael Murphy (former Director of Financial Aid)

Finding Number: 2017-002 Updating Common Origination and Disbursement with Actual Disbursement Dates

Planned Corrective Action: Disbursement processes and procedures are in place and staff training has been implemented to ensure that the correct disbursement date is reported on the day of disbursement.

Person Responsible for Corrective Action Plan: Director of Financial Aid (now Mandy Musso)

Anticipated Date of Completion: Completed on 8/04/2017 by Michael Murphy (former director of Financial Aid)

6399 South Santa Fe Drive • Littleton CO 80120 • 303-357-5865 • Fax: 303-761-8060 • www.denverseminary.edu