Auburn Theological Seminary

Financial Statements

June 30, 2015

O'CONNOR DAVIES

PKF

Independent Auditors' Report

Board of Directors
Auburn Theological Seminary

We have audited the accompanying financial statements of Auburn Theological Seminary ("Auburn"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Auburn Theological Seminary as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

O'CONNOR DAVIES, LLP
665 Fifth Avenue, New York, NY 10022 I Tel: 212.286.2600 I Fax: 212.286.4080 I www.odpkf.com

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Report on Summarized Comparative Information

We have previously audited Auburn Theological Seminary's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

October 22, 2015

Auburn Theological Seminary

Statement of Financial Position
June 30, 2015
(with comparative amounts at June 30, 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	$ 735,596	$ 993,990
Receivables (Note 4)		
Contributions, net	3,923,283	2,534,955
Grants, net	150,000	875,025
Other	76,012	115,608
Prepaid expenses and other assets	163,175	105,386
Promissory note receivable (Note 12)	115,041	143,802
Investments (Note 5)	15,424,724	17,969,805
Artwork	62,000	60,000
Leasehold improvements and equipment, net (Note 7)	1,524,766	166,571
Beneficial interest in perpetual trust (Note 8)	112,813	113,846
Permanently restricted investments (Notes 5 and 10)	7,972,101	7,973,339
Total Assets	$30,259,511	$31,052,327
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 757,486	$ 213,186
Deferred rent	26,815	29,767
Deferred compensation (Note 12)	352,667	442,056
Total Liabilities	1,136,968	685,009
Net Assets		
Unrestricted		
Undesignated	5,533,559	5,314,770
Board designated (Note 11)	11,519,376	12,902,593
Total Unrestricted	17,052,935	18,217,363
Temporarily restricted (Note 9)	3,984,694	4,062,770
Permanently restricted (Note 10)	8,084,914	8,087,185
Total Net Assets	29,122,543	30,367,318
	$30,259,511	$31,052,327

See notes to financial statements

Auburn Theological Seminary

Statement of Activities
Year Ended June 30, 2015
(with summarized comparative totals for the year ended June 30, 2014)

	Unrestricted					
	Undesignated	Board Designated	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
PUBLIC SUPPORT AND REVENUE						
Gifts and grants	$ 949,988	$ -	$ 3,686,146	$ -	$ 4,636,134	$ 3,921,149
Special events	599,527	-	-	-	599,527	486,531
Tuition and fees	223,834	-	-	-	223,834	223,295
Allocated investment income	887,522	-	613,115	-	1,500,637	1,693,032
Other	-	-	-	-	-	93,083
Use of designated funds for capacity building (Note 11)	-	-	-	-	-	40,200
Net assets released from restrictions (Note 9)	3,648,045	-	(3,648,045)	-	-	-
Total Public Support and Revenue	6,308,916	-	651,216	-	6,960,132	6,457,290
EXPENSES						
Program Services						
Education/Theology	1,991,482	-	-	-	1,991,482	1,704,384
Media	1,091,141	-	-	-	1,091,141	993,658
Action	1,359,135	-	-	-	1,359,135	940,818
Research	713,556	-	-	-	713,556	650,379
Total Program Services	5,155,314	-	-	-	5,155,314	4,289,239
Supporting Services						
Management and general	406,156	-	-	-	406,156	644,663
Fundraising and development	363,800	-	-	-	363,800	475,937
Direct cost of special events	164,397	-	-	-	164,397	182,644
Total Supporting Services	934,353	-	-	-	934,353	1,303,244
Total Expenses	6,089,667	-	-	-	6,089,667	5,592,483
Change in Net Assets before Nonoperating Activity	219,249	-	651,216	-	870,465	864,807
NONOPERATING ACTIVITY						
Change in beneficial interest in perpetual trust	-	-	-	(1,033)	(1,033)	5,317
Consolidated office space expenses	-	-	-	-	-	(93,112)
Loss on abandonment of long-lived asset	(460)	-	-	-	(460)	(72,037)
Use of designated funds for cost related to governance change (Note 15)	-	-	-	-	-	(173,440)
Use of designated funds for capacity building (Note 11)	-	-	-	-	-	(40,200)
Non-allocated investment (loss) income	-	(1,383,217)	(729,292)	(1,238)	(2,113,747)	2,356,964
Total Nonoperating Activity	(460)	(1,383,217)	(729,292)	(2,271)	(2,115,240)	1,983,492
Change in Net Assets	218,789	(1,383,217)	(78,076)	(2,271)	(1,244,775)	2,848,299
NET ASSETS						
Beginning of year	5,314,770	12,902,593	4,062,770	8,087,185	30,367,318	27,519,019
End of year	$ 5,533,559	$ 11,519,376	$ 3,984,694	$ 8,084,914	$ 29,122,543	$ 30,367,318

See notes to financial statements

Auburn Theological Seminary

Statement of Functional Expenses
Year Ended June 30, 2015
(with summarized comparative totals for the year ended June 30, 2014)

	Program Services									
	Education/ Theology	Media	Action	Research	Total Program Services	Management and General	Fundraising and Development	Direct Costs of Special Events	2015 Total	2014 Total
Salaries and wages	$ 955,587	$ 452,014	$ 527,792	$351,263	$ 2,286,656	$ 106,377	$ 172,286	$ -	$2,565,319	$2,406,776
Payroll taxes and employee benefits	252,969	133,517	154,907	68,089	609,482	43,533	47,716	-	700,731	647,555
Professional fees and other contracted services	401,614	262,700	299,479	148,019	1,111,812	131,536	112,208	107,797	1,463,353	1,283,934
Marketing and communications	23,538	26,461	28,512	34,092	112,603	10,943	8,761	50,319	182,626	120,522
Office expenses	37,820	35,854	36,323	18,214	128,211	28,243	2,114	2,420	160,988	153,771
Equipment and information technology	9,897	10,349	10,598	4,665	35,509	8,122	-	-	43,631	109,842
Occupancy	133,677	64,779	75,510	46,390	320,356	40,934	-	-	361,290	351,241
Travel	115,496	55,861	134,734	24,608	330,699	7,847	10,454	2,147	351,147	283,445
Conferences, conventions and meetings	29,070	24,938	65,098	7,657	126,763	9,340	10,126	-	146,229	26,664
Depreciation and amortization	12,550	6,082	7,089	4,355	30,076	3,845	-	-	33,921	61,221
Insurance	17,761	17,711	17,718	5,894	59,084	14,735	-	-	73,819	72,018
Scholarship and grant awards	210	210	210	70	700	175	-	-	875	70,201
Miscellaneous	1,178	550	1,050	202	2,980	434	117	1,714	5,245	4,684
Bad debt	115	115	115	38	383	92	18	-	493	609
Total Expenses	$ 1,991,482	$ 1,091,141	$1,359,135	$713,556	$ 5,155,314	$ 406,156	$ 363,800	$ 164,397	$6,089,667	$5,592,483

See notes to financial statements

Auburn Theological Seminary

Statement of Cash Flows
Year Ended June 30, 2015
(with comparative amounts for the year ended June 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,244,775)	$ 2,848,299
Adjustments to reconcile change in net assets		
to net cash from operating activities		
Depreciation and amortization	33,921	61,221
Loss on disposal of equipment	460	72,037
Net realized and unrealized loss (gain) on investments	809,753	(3,808,519)
Net unrealized loss (gain) on investments held for deferred compensation	412	(62,524)
Net unrealized loss on note receivable	28,761	-
Change in beneficial interest in perpetual trust	1,033	(5,317)
Deferred rent	(2,952)	29,767
Changes in operating assets and liabilities		
Receivables	(623,707)	(1,485,602)
Prepaid expenses and other assets	(57,789)	28,918
Artwork	(2,000)	-
Accounts payable and accrued expenses	544,300	(26,400)
Change in deferred compensation	(89,389)	62,524
Net Cash from Operating Activities	(601,972)	(2,285,596)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of leasehold improvements and equipment	(1,392,576)	(138,683)
Purchase of investments	(2,832,845)	(3,430,323)
Proceeds from sales of investments	4,568,999	6,339,272
Net Cash from Investing Activities	343,578	2,770,266
Net Change in Cash and Cash Equivalents	(258,394)	484,670
CASH AND CASH EQUIVALENTS		
Beginning of year	993,990	509,320
End of year	$ 735,596	$ 993,990

See notes to financial statements

1. Organization and Tax Status

Leaders of faith and moral courage have guided social change throughout our nation's history – from the abolition of slavery and the fight for civil rights to the struggle against gun violence and climate change. Auburn Theological Seminary ("Auburn") identifies and strengthens leaders – from the pulpit to the public square – to build communities, bridge divides, pursue justice and heal the world.

An independent, non-profit multifaith center for leadership development, Auburn envisions religion as a catalyst and resource for a new world – one in which difference is celebrated, abundance is shared, and people are hopeful, working for a future that is better than today.

Auburn brings almost 200 years of experience preparing religious leaders for the real world, from its founding in 1818 to its global presence today. Auburn was originally established to prepare Presbyterian ministers. Its early leaders championed the great social movements of their time, including anti-fundamentalism, abolition, reforms that supported the poor, prisoners' rights and women's suffrage; indeed, it was one of the first seminaries to educate women. More recently, racial and economic justice, gun violence prevention, immigration reform and climate change have been among Auburn's issues of social concern.

During the Great Depression, Auburn moved from its historic home in upstate New York to the campus of Union Theological Seminary in New York City, where it established itself as a pioneer in continuing education for religious leaders. Over the years, it has been an innovator in multifaith education, in equipping religious leaders to use media, and in conducting research on religion in the public square and the field of theological education. Much of Auburn's contemporary work has addressed the challenges and opportunities presented by America's growing religious diversity as well as the growing number of Americans who identify as "spiritual" without affiliating with a religious movement or institution.

In 2013-2014, Auburn affirmed a strategic plan that represented new work in progress and aspirations for improving existing Auburn programs over five years. As recommended by the plan and in order to implement these improvements, Auburn consolidated its educational and administrative offices in one location (475 Riverside Drive, NYC) in June 2014. Auburn neared completion of Phase I construction of a state of the art educational meeting and seminar space as of June 30, 2015.

Auburn is an independent educational institution chartered in New York State that works in close partnership with diverse denominations, institutions and organizations. It maintains its historic relationship with the Presbyterian Church (U.S.A.).

While Auburn no longer grants degrees, it takes special responsibility for Presbyterian students enrolled at Union Theological Seminary and New York Theological Seminary. Auburn provides courses, workshops, counseling and coaching to help these students meet denominational requirements for ordination. Auburn also serves as a gathering point for Presbyterian communities on issues of social concern.

1. Organization and Tax Status *(continued)*

Program Goals

Auburn believes that our world, challenged by violence and injustice, needs people of faith and moral courage at all levels of society to stand up, be counted and catalyze a larger movement for change. Thus Auburn programs are designed to educate and equip religious leaders and their allies, religious and secular alike, to work effectively in our complex, multifaith world, and to strengthen both individual and collective impact in order to achieve this goal.

Auburn develops, incubates and offers innovative educational models and pedagogical methods to advance leaders of faith and moral courage in their efforts to create a more just, compassionate world; builds knowledge by conducting and publishing applied research that supports theological education and faith-rooted leadership; and convenes thought leaders through a variety of public platforms to explore and share their insights on religious life, leadership development and the changing nature of our multifaith world. From time to time, Auburn's programs explore specific themes.

Educational Approach and Areas of Programmatic Focus

Activities in each of the areas below draw upon the expertise of Auburn staff organization-wide, creating an inclusive, integrated approach to program development and implementation. As Auburn implements its strategic plan, it has increasingly "de-siloed": training methods and modules from individual program areas are being incorporated into its broad educational program. An organization-wide task force on evaluation is developing approaches to measuring the impact of our work.

Education

Auburn uses a variety of innovative pedagogical approaches and methodologies to equip and sustain individuals, well as cohorts of religious and community leaders, to reach across lines of religious difference to: (1) address today's most pressing issues; (2) develop characteristics and skills that they need for our fast-changing world; and (3) use the wisdom of their faith traditions to achieve these goals.

A new Auburn Senior Fellows Program is equipping and coaching game-changing leaders to build their national impact on critical issues such as racism and gun violence. The Sojourner Truth Leadership Circle enables African-American women leaders at the front lines of social change to learn to care for their mind, body and spirit in order to sustain their leadership. The Entrepreneurial Ministry Fellowship equips pastors with the theological and practical capacities and support they need to develop new faith communities. A re-envisioned Face to Face | Faith to Faith Program is extending its impact to more young leaders from conflict and post-conflict zones, enabling them to tap their religious heritages to build bridges and more peaceful communities. Auburn's Coach Training Program advances the Christian leadership formation of pastors, helping them thrive in their ministries.

1. Organization and Tax Status *(continued)*

Educational Approach and Areas of Programmatic Focus (continued)

Education ***(continued)***

Courses, workshops and counselling for Presbyterian students at Union Theological and New York Theological Seminary help them meet denominational requirements for ordination, an expression of Auburn's covenant relationship with Presbyterian Church (U.S.A.). Multifaith seminars, community conversations, public events and experiential learning opportunities are public platforms for bridging divides and building a better tomorrow.

Media

Auburn provides media expertise to seasoned and emerging religious leaders, including those participating in Auburn programs, and religious expertise to the media. Auburn offers a variety of workshops and coaching opportunities that equip leaders of faith and moral courage, seminary students and faith-rooted activists — and their community partners — to communicate strategically and effectively on issues of pressing concern through print, digital, broadcast and radio platforms. Key issues include racial justice, gun violence prevention, marriage equality, economic justice and human dignity. FaithSource connects faith leaders and expert voices to the media and helps journalists and media makers connect with and cover the religious lens on contemporary, critical issues. The Table to Action Project equips faith leaders to improve their ability to communicate and work together effectively across sectors toward a shared vision of a better world. Auburn also develops and/or distributes curricula, documentary films and videos on social issues and religion, for faith leaders to use in their work to educate and galvanize their constituencies.

Action

Auburn equips faith-rooted leaders to develop strategies and skills for using social media to inspire constituencies, build community and move people of faith and moral courage to take action. Groundswell, Auburn's on-line community for social action, includes some 200,000 participants. It also serves as a free, digital platform that faith leaders and activists can learn to use to inform and engage others to move on issues of pressing social concern. Auburn coaches and assists faith and community leaders to amplify their calls for justice through Groundswell on issues such as preventing gun violence and human trafficking, working for a moral economy, countering Islamophobia and xenophobia, achieving marriage equality, and protecting the dignity of marginalized people, including immigrants. Auburn also promotes action through curating and sharing outstanding faith-inspired content on the Internet.

Auburn builds collective impact by convening leaders nationally and locally to develop and launch collaborative, cross-sector strategies for change. MountainTop is both an offline and online platform for convening faith leaders and their partners to explore strategies that deepen the role of religion in building a more just society. MountainTop promotes collaboration and networks among leaders of diverse faiths, issues and sectors.

1. Organization and Tax Status *(continued)*

Educational Approach and Areas of Programmatic Focus (continued)

Research

Auburn's applied research provides greater understanding of the most effective ways to equip leaders of faith and moral courage for today's complex, multifaith world. New research initiatives are exploring public theological engagement with pressing social issues and bright spots in theological education to identify and disseminate effective new models for leadership development. The Center for the Study of Theological Education (CSTE) is nationally known for applied research on the needs of theological institutions, their leaders, students and stakeholders, including student life and debt, educational and administrative leadership, and the public role of theological schools. Auburn consultants help schools evaluate programs, develop strategies, forge new institutional partnerships, and support their senior leadership. Reports, publications and videos are widely distributed and available in print and/or on-line. The CrossCurrents Colloquium convenes religion scholars, sociologists, clergy, activists and others for scholarly research and exploration on contemporary critical concerns.

Tax Status and Public Support

The Internal Revenue Service has determined that Auburn is tax-exempt in accordance with Internal Revenue Code Section 501(c)(3). Auburn is registered as a charitable, tax-exempt institution in all 50 states that require such registration for the purpose of soliciting charitable donations.

Auburn is chartered as an educational institution in New York State.

Auburn's programs and operations are supported primarily through individual and institutional gifts and grants, investment income, and special event income.

Auburn is eligible to accept charitable gifts and grants from individuals and institutions, including matching and other contributions from corporations.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which 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 revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

Cash equivalents are all highly liquid investments with a maturity of three months or less at the time of purchase.

Fair Value Measurements

Auburn follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. U.S. GAAP guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of Auburn's interest therein and their classification as Level 3 is based on Auburn's inability to redeem its interest in the near term.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Investments Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

2. Summary of Significant Accounting Policies *(continued)*

Beneficial Interest in Perpetual Trust

The beneficial interest in perpetual trust is stated at the fair value of Auburn's interest in the net assets of the trust.

Contributions Receivable and Contributions

Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Amortization of the present value of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Auburn determines whether an allowance for uncollectible amounts should be provided for grants and contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions, subsequent collections and historical information. Grants and contributions receivable would be written off against the allowance for doubtful accounts only after all reasonable collection efforts have been exhausted.

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Leasehold Improvements and Equipment

Such assets are carried at cost less accumulated depreciation and amortization. Items with a cost of more than $1,000 and an estimated useful life of three years or more are capitalized. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 10 years. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful life of the improvements. Website development costs are amortized over their estimated useful life of 3 years. Auburn has a collection of artwork, appraised at approximately $62,000 that is on public display.

Deferred Rent

Auburn has entered into an operating lease agreement which contains a provision for future rent increases. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method. The difference between rent expense recorded and the amount paid is charged to deferred rent, in the accompanying statement of financial position.

2. Summary of Significant Accounting Policies *(continued)*

Net Asset Presentation

Net assets are classified based on the existence or absence of donor-imposed restrictions. Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in Auburn's operations. Temporarily restricted amounts are those stipulated by donors for specific purposes or time periods that will be met either by action of Auburn or passage of time. Permanently restricted amounts are those established by donor restricted gifts to provide a permanent endowment.

Tuition and Fees

Tuition and fee revenues are recognized in the fiscal year during which the academic services are rendered. Student tuition and fees received in advance of services to be rendered are reported as deferred revenue. Student aid provided by Auburn for tuition and fees is reported as expenses.

Functional Allocation of Expense

The costs of providing various services have been summarized on a functional basis in the statement of activities and shown in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of Auburn.

Accounting for Uncertainty in Income Taxes

Auburn recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that Auburn had no uncertain tax positions that would require financial statement recognition or disclosure. Auburn is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2012.

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2014 is presented for comparative purposes only. Certain activities by net asset classification are not included in these financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Auburn's financial statements as of and for the year ended June 30, 2014, from which the summarized comparative information was derived.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 22, 2015.

3. Concentration of Credit Risk

Auburn's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, money market funds, contributions receivable and investments. Auburn places its cash and money market funds in what it believes to be quality financial institutions. The investment portfolio is managed by professional investment advisors and managers and is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk. Concentrations of credit risk with respect to contributions receivable are generally diversified due to the large number of individual's composing Auburn's donor database. Auburn performs ongoing collectability evaluations and writes off uncollectible amounts as they become known. At June 30, 2015, contributions receivable from one donor represented 31% of Auburn's total contributions receivable balance at year-end.

4. Contributions and Grants Receivable

Contributions receivable at June 30, 2015 are summarized as follows:

2016	$ 2,655,283
2017	530,000
2018	520,000
2019	280,000
	3,985,283
Less discount to present value	(62,000)
Present value of contributions receivable	$ 3,923,283

A present value discount using a rate of 2.7% has been calculated using discount factors that approximate the risk and expected timing of future contribution payments. Management has determined that no allowance for uncollectible amounts is necessary.

Grants receivable at June 30, 2015 total $150,000 and are expected to be collected in the next fiscal year.

5. Investments

The following summarizes the investments held by Auburn as of June 30, 2015:

	Fair Value
Cash and cash equivalents	$ 2,481
Mutual funds	16,611,065
Real estate funds	916,270
Fund of funds	5,867,009
	$ 23,396,825

5. Investments *(continued)*

The following summarizes investment return for the year ended June 30, 2015:

Interest and dividends	$ 197,055
Realized and unrealized loss on investments	(810,165)
	$ (613,110)
Allocated investment income:	
Budgetary allocation of investment income	$ 887,522
Investment income on restricted funds	613,115
	1,500,637
Non-allocated investment income:	(2,113,747)
	$ (613,110)

Total investment advisory fees for fiscal year 2015 amounted to $72,112.

6. Fair Value Measurements

The following are the classes and major categories of assets measured at fair value on a recurring basis as of June 30, 2015, grouped by the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Mutual Funds				
Domestic equity	$ 977,584	$ 4,950,267	$ -	$ 5,927,851
International equity	4,786,214	1,587,131	-	6,373,345
Fixed income	3,399,009	-	-	3,399,009
Commodities	910,860	-	-	910,860
Real estate fund	-	916,270	-	916,270
Fund of Funds				
Long/short equity	-	-	2,908,639	2,908,639
Multi strategy	-	2,958,370	-	2,958,370
Total Investments at Fair Value	10,073,667	10,412,038	2,908,639	23,394,344
Investment cash	-	-	-	2,481
Beneficial interest in perpetual trust	-	-	112,813	112,813
Total Assets at Fair Value	$ 10,073,667	$ 10,412,038	$ 3,021,452	$ 23,509,638

6. Fair Value Measurements *(continued)*

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended June 30, 2015:

	Fund of Funds	Beneficial Interest in Perpetual Trust	Total
Balance, beginning of year	$ 2,842,960	$ 113,846	$ 2,956,806
Total unrealized appreciation (depreciation) relating to instruments still held at the reporting date included in earnings	65,679	(1,033)	64,646
Balance, end of year	$ 2,908,639	$ 112,813	$ 3,021,452

Information regarding alternative investments measured at fair value using the practical expedient at June 30, 2015 is as follows:

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemptions Notice Period
Real estate fund (see "a" below)	$ 916,270	$ -	Monthly	15 days
Long/short equity (see "b" below)	2,908,639	-	Annually	95 days
Multi strategy (see "c" below)	2,958,370	-	Quarterly	90 days
Total	$6,783,279	$ -		

a. This category includes an investment in a real estate hedge fund. The fund's objective is to generate net return in excess of the UBS Global Real Estate Investor Index through the creation and active management of a portfolio of publicly traded equity securities issued by real estate investment trusts and other publicly held real estate companies in North America, Europe, Australia and Asia. The fair value of the investment in this category has been estimated using the net asset value per share of the investment.

6. Fair Value Measurements *(continued)*

b. This category seeks maximum appreciation of capital while incurring reasonable risk by investing primarily with a diversified group of managers. The fund generally invests with long/short equity and absolute return oriented fund managers that employ a fundamental approach to investing. Fund managers typically engage in bottom-up research and are at liberty to use a variety of exposures, instruments, and strategies to achieve their objectives. The firm considers the long-term prospects of the underlying manager in its selection process and emphasizes the following criteria: evidence of prior investment success; an investment philosophy based on strong fundamental research and analysis; a sound portfolio and risk management approach; and interests which align with those of the firm. The firm seeks to maintain portfolio risk and correlation at a level that is lower than broad market averages. Risk is mitigated through diversification by investing assets with managers that have expertise in different strategy areas, industry sectors, capitalization sizes, and geographic areas. No single manager may account for greater than 15% of the fund's portfolio (measured at cost).

c. This fund was formed primarily with the purpose of achieving long-term growth of capital with reduced volatility by allocating its capital among various money managers that, as a group, employ a variety of investment techniques and strategies. By investing through this diverse group, the fund seeks to provide investors with access to the varied skills and expertise of these managers while at the same time lessening risks and volatility associated with investing through any one particular manager. The fund trades in securities indirectly by investing its assets in particular investment funds and investment managers.

7. Leasehold Improvements and Equipment

Leasehold improvements and equipment consist of the following at June 30, 2015:

Leasehold improvements	$ 1,503,273
Furniture and equipment	125,025
Website	297,820
	1,926,118
Less: accumulated depreciation and amortization	(401,352)
	$ 1,524,766

Leasehold improvements represent those costs incurred as of June 30, 2015 for the major renovation project for the 18th floor space that Auburn is currently leasing. Management expects that the leasehold improvements will be operational in the fiscal year ending June 30, 2016.

8. Beneficial Interest in Perpetual Trust

Auburn has a beneficial interest in a perpetual trust held by another entity as trustee. The fair value of Auburn's beneficial interest in this trust is estimated to be equal to the fair value of that portion of the assets underlying the trust attributable to Auburn's interest. The investment portfolio of the trust is generally composed of equity and fixed income mutual funds. The change in fair value of the beneficial interest for fiscal 2015 is reflected in the statement of activities as a nonoperating loss totaling $1,033.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and the purposes for which such net assets may be used are as follows:

Education/Theology	$ 707,592
Media	712,005
Action	291,603
Research	1,156,494
New office space	1,117,000
	$ 3,984,694

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the year ended June 30, 2015 are as follows:

Education/Theology	$ 1,155,767
Media	715,115
Action	783,223
Research	993,940
	$ 3,648,045

10. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2015 are endowed for the following purposes:

Education/Theology	$ 1,461,708
Media	713,287
Action	787,745
Research	5,122,173
	$ 8,084,913

11. Endowment Funds

General

Auburn's true endowment (also known as the permanently restricted net assets) consists of 59 donor-restricted net asset funds, 58 of which support various general and particular purposes of Auburn. The returns from the various permanently restricted net asset funds are either classified as temporarily restricted or permanently restricted, depending on any restriction placed on the use of the return by the donor. The return from one fund is, according to the donor's stipulation, added back to the principal of the net assets as a permanently restricted addition. As required by U.S. GAAP, net assets associated with these endowment funds are classified and reported based on existing donor-imposed restrictions.

The returns from endowment funds that are classified as temporarily restricted net assets are considered to be functioning as endowments until such time as these funds are appropriated for expenditure.

In addition, a portion of the accumulated unspent unrestricted returns from long-term investments and operational surpluses are considered board-designated funds functioning as endowment.

Interpretation of Relevant Law

The Board of Directors of Auburn has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, the Board of Directors 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 of investment returns 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA. Returns from board-designated funds functioning as endowments are unrestricted.

Return Objectives, Strategies Employed and Spending Policy

Auburn has a policy of appropriating for distribution each year an amount in a range between 4 and 6 percent of the average fair value of its long-term investments over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. The policy includes a provision in which the Board of Directors can appropriate an additional 1 percent for a maximum of three years during times that are considered to be extraordinary. Auburn's investments include the permanently restricted net assets that must be held in perpetuity.

11. Endowment Funds *(continued)*

Return Objectives, Strategies Employed and Spending Policy (continued)

Under this policy, as approved by the Board of Directors, the long-term financial assets are invested in a manner that is intended to provide a predictable stream of funding to Auburn's activities while seeking to maintain the purchasing power of the invested assets with a moderate level of risk. Auburn expects its invested funds, over time, to provide an average rate of return of 7 percent annually with less than market level risk. To satisfy the long-term rate of return objective, Auburn relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. Auburn employs a diversified asset allocation to achieve consistency of returns and to minimize risk.

Use of Designated Funds for Capacity Building

The Board of Directors approved the use of these designated funds to build the capacity and infrastructure required for Auburn to achieve a set of stated goals and objectives during fiscal 2014 in direct fulfillment of its mission. These activities lay the groundwork for future Auburn programs that will begin to be phased-in as a result of strategic planning and expanded fundraising that was begun during fiscal 2013 and more fully launched and implemented during fiscal 2014.

Endowment Net Asset Composition by Type of Fund

The following table summarizes the activity of the endowment funds for the year ended June 30, 2015 according to the purposes for which their income may be used:

	Permanently Restricted	Temporarily Restricted	Board Designated Endowment Fund	Total
Balance, June 30, 2014	$ 7,246,840	$ 1,875,515	$ 12,902,593	$ 22,024,948
Contributions	500,000	-	-	500,000
Interest and dividends	398	60,165	136,492	197,055
Realized and unrealized losses	(1,636)	(176,342)	(632,187)	(810,165)
Appropriation for expenditure	-	(613,115)	(887,522)	(1,500,637)
Balance, June 30, 2015	$ 7,745,602	$ 1,146,223	$ 11,519,376	20,411,201
Other investments not held as an endowment				2,985,624
Total investments				$ 23,396,825
Comprised of the following:				
Donor restricted funds	$ 7,745,602	$ 1,146,223	$ -	$ 8,891,825
Board designated funds	-	-	11,519,376	11,519,376
Total Funds	$ 7,745,602	$ 1,146,223	$ 11,519,376	20,411,201
Other investments not held as an endowment				2,985,624
Total Investments				$ 23,396,825

11. Endowment Funds *(continued)*

Funds with Deficiencies

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below historic dollar value of the donor's original permanently restricted contribution. U.S. GAAP requires that such excess losses be absorbed by the unrestricted net assets of Auburn and that future gains be allocated to unrestricted net assets until such losses have been restored. Losses absorbed by the unrestricted net assets at June 30, 2015 amounts to $358,371.

12. Promissory Note Receivable-Deferred Compensation

Auburn offered its former President a deferred compensation plan as of July 1, 2009 with payments to be made between 2014 and 2018. Auburn's liability under this plan, including revisions entered into with the advice of counsel as a result of its charter amendment (Note 15) at June 30, 2015 is $352,667.

The revised deferred compensation plan includes a promissory note agreement (the "Agreement"), which advanced amounts sufficient to pay tax costs associated with accelerated, but not yet payable, taxable income, with the former President. The Agreement calls for equal principal repayments over a 5-year period beginning in fiscal 2015 and ending in 2018. The note, which is interest free and which did not increase the amounts payable under the previous arrangement, will be repaid by being withheld from the payments otherwise due to the former President under the existing deferred compensation agreement.

13. Commitments and Contingencies

Leases

Effective March 1, 2014, The Interchurch Center and Auburn entered into a lease agreement. The lease covers a term of 10 years and 2 months. The lease requires Auburn to make a monthly payment of $30,013. During January 2015, a 2.5% rent increase was charged to Auburn, which raised the monthly payment to $30,759.

The future minimum payments required under the lease agreement for the years ending June 30 are as follows:

2016	$ 369,102
2017	369,102
2018	369,102
2019	369,102
2020	369,102
2021 and thereafter	1,414,891
	$3,260,401

14. Retirement Benefits

Auburn sponsors a tax-deferred annuity plan for its permanent employees who have completed at least one year of service. Contributions to the plan are made at 10% of participants' gross salaries, up to the maximum amount allowed by the Internal Revenue Service. The pension expense for fiscal 2015 totaled $209,783.

15. Governance Change

During fiscal 2012 an amendment to Auburn's charter was approved by the Board of Regents for the State of New York. The amendment changed the method for electing the members of Auburn's Board of Directors. The charter now permits the Board of Directors to select the directors, subject to the requirement that the majority of the board are members of the Presbyterian Church (U.S.A.) and that a certain number of those members be from Presbyterian (U.S.A.) ministries in New York State. All costs related to this governance change are included on the statement of activities as non-operating costs. The charter amendment also resulted in the taxability to the former President of certain deferred and other compensation to be paid in future years in the year of the effective date of the charter amendment.

16. Related Party Transaction

A board member of Auburn is related to an individual facilitated a convening. An employee is related to an individual who created website design materials for Auburn. Another employee is related to someone who assisted internal management for mission-centric event. The sum of all of these transactions was $13,421.

* * * * *