

Auburn Theological Seminary

Financial Statements

June 30, 2014

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, 2014, 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, 2014, 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

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Report on Summarized Comparative Information

We have previously audited Auburn Theological Seminary's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

October 23, 2014

Auburn Theological Seminary

Statement of Financial Position June 30, 2014 (with comparative amounts at June 30, 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 993,990	\$ 509,320
Receivables (Note 4)		
Contributions, net	2,534,955	1,670,455
Grants, net	875,025	327,632
Other	115,608	41,899
Prepaid expenses and other assets	105,386	134,304
Promissory note receivable (Note 12)	143,802	143,802
Investments (Note 5)	17,969,805	17,738,788
Artwork	60,000	60,000
Leasehold improvements, equipment and intangibles, net (Note 7)	166,571	161,146
Beneficial interest in perpetual trust (Note 8)	113,846	108,529
Permanently restricted investments (Notes 5 and 10)	7,973,339	7,242,262
Total Assets	\$31,052,327	\$28,138,137
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 213,186	\$ 239,586
Deferred rent	29,767	-
Deferred compensation (Note 12)	442,056	379,532
Total Liabilities	685,009	619,118
Net assets		
Unrestricted		
Undesignated	5,314,770	5,331,198
Designated (Note 11)	12,902,593	11,532,290
Total Unrestricted	18,217,363	16,863,488
Temporarily restricted (Note 9)	4,062,770	3,304,740
Permanently restricted (Note 10)	8,087,185	7,350,791
Total Net Assets	30,367,318	27,519,019
	\$31,052,327	\$28,138,137

See notes to financial statements

Auburn Theological Seminary

Statement of Activities Year Ended June 30, 2014

(with summarized comparative totals for the year ended June 30, 2013)

	Unrestricted		Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
	Undesignated	Board Designated				
PUBLIC SUPPORT AND REVENUE						
Gifts and grants	\$ 892,238	\$ -	\$ 2,302,412	\$ 726,499	\$ 3,921,149	\$ 3,089,825
Special events	486,531	-	-	-	486,531	465,366
Tuition and fees	223,295	-	-	-	223,295	286,833
Allocated investment income	1,272,969	-	420,063	-	1,693,032	1,860,655
Other	93,083	-	-	-	93,083	133,667
Use of designated funds for capacity building (Note 11)	40,200	-	-	-	40,200	200,000
Unused grant funds	-	-	-	-	-	(163,868)
Net assets released from restrictions (Note 9)	2,639,776	-	(2,639,776)	-	-	-
Total Public Support and Revenue	<u>5,648,092</u>	<u>-</u>	<u>82,699</u>	<u>726,499</u>	<u>6,457,290</u>	<u>5,872,478</u>
EXPENSES						
Program Services						
Education/Theology	1,704,384	-	-	-	1,704,384	1,959,800
Media	993,658	-	-	-	993,658	1,154,765
Action	940,818	-	-	-	940,818	1,095,970
Research	650,379	-	-	-	650,379	857,424
Total Program Services	<u>4,289,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,289,239</u>	<u>5,067,959</u>
Supporting Services						
Management and general	644,663	-	-	-	644,663	691,300
Fund raising and development	475,937	-	-	-	475,937	324,127
Direct cost of special events	182,644	-	-	-	182,644	172,118
Total Supporting Services	<u>1,303,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,303,244</u>	<u>1,187,545</u>
Total Expenses	<u>5,592,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,592,483</u>	<u>6,255,504</u>
Change in Net Assets before Nonoperating Activity	<u>55,609</u>	<u>-</u>	<u>82,699</u>	<u>726,499</u>	<u>864,807</u>	<u>(383,026)</u>
NONOPERATING ACTIVITY						
Change in beneficial interest in perpetual trust	-	-	-	5,317	5,317	3,072
Net assets released from restrictions - consolidated office space (Note 9)	93,112	-	(93,112)	-	-	-
Consolidated office space expenses	(93,112)	-	-	-	(93,112)	-
Loss on abandonment of long-lived asset	(72,037)	-	-	-	(72,037)	(1,467)
Use of designated funds for cost related to governance change (Note 15)	-	(173,440)	-	-	(173,440)	(313,259)
Use of designated funds for capacity building (Note 11)	-	(40,200)	-	-	(40,200)	(200,000)
Non-allocated investment income	-	1,583,943	768,443	4,578	2,356,964	1,040,300
Total Nonoperating Activity	<u>(72,037)</u>	<u>1,370,303</u>	<u>675,331</u>	<u>9,895</u>	<u>1,983,492</u>	<u>528,646</u>
Change in Net Assets	<u>(16,428)</u>	<u>1,370,303</u>	<u>758,030</u>	<u>736,394</u>	<u>2,848,299</u>	<u>145,620</u>
NET ASSETS						
Beginning of year	<u>5,331,198</u>	<u>11,532,290</u>	<u>3,304,740</u>	<u>7,350,791</u>	<u>27,519,019</u>	<u>27,373,399</u>
End of year	<u>\$ 5,314,770</u>	<u>\$ 12,902,593</u>	<u>\$ 4,062,770</u>	<u>\$ 8,087,185</u>	<u>\$ 30,367,318</u>	<u>\$ 27,519,019</u>

See notes to financial statements

Auburn Theological Seminary

Statement of Functional Expenses

Year Ended June 30, 2014

(with summarized comparative totals for the year ended June 30, 2013)

	Program Services				Total Program Services	Management and General	Fund Raising and Development	Direct Costs of Special Events	2014 Total	2013 Total
	Education/ Theology	Media	Action	Research						
Salaries and wages	\$ 737,151	\$439,622	\$454,911	\$ 298,991	\$ 1,930,675	\$ 195,020	\$ 281,081	\$ -	\$ 2,406,776	\$ 2,819,236
Payroll taxes and employee benefits	182,342	117,051	139,764	64,680	503,837	81,118	62,600	-	647,555	638,605
Professional fees and other contracted services	450,566	219,912	183,483	147,076	1,001,037	106,852	95,558	80,487	1,283,934	1,320,200
Marketing and communications	21,878	13,234	8,174	33,026	76,312	7,358	5,994	30,858	120,522	70,512
Office expenses	29,092	25,640	21,249	29,333	105,314	37,576	6,045	4,836	153,771	132,156
Equipment and information technology	21,660	17,648	24,687	8,623	72,618	37,224	-	-	109,842	174,733
Occupancy	60,662	51,996	46,797	13,866	173,321	115,547	-	62,373	351,241	310,287
Travel	96,364	78,500	34,599	46,680	256,143	7,247	17,721	2,334	283,445	382,332
Conferences, conventions and meetings	6,027	5,090	4,688	1,434	17,239	2,886	6,539	-	26,664	215,102
Depreciation and amortization	12,856	11,020	9,918	2,939	36,733	24,488	-	-	61,221	93,149
Insurance	15,124	12,963	11,667	3,457	43,211	28,807	-	-	72,018	58,990
Scholarship and grant awards	67,837	717	645	191	69,390	458	353	-	70,201	12,557
Miscellaneous	2,628	96	84	38	2,846	82	-	1,756	4,684	14,800
Bad debt	197	169	152	45	563	-	46	-	609	14,312
	<u>\$ 1,704,384</u>	<u>\$993,658</u>	<u>\$ 940,818</u>	<u>\$ 650,379</u>	<u>\$ 4,289,239</u>	<u>\$ 644,663</u>	<u>\$ 475,937</u>	<u>\$ 182,644</u>	<u>\$ 5,592,483</u>	<u>\$ 6,256,971</u>
Total Expenses	\$ 1,704,384	\$993,658	\$ 940,818	\$ 650,379	\$ 4,289,239	\$ 644,663	\$ 475,937	\$ 182,644	\$ 5,592,483	\$ 6,256,971

See notes to financial statements

Auburn Theological Seminary

Statement of Cash Flows Year Ended June 30, 2014 (with comparative amounts for the year ended June 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,848,299	\$ 145,620
Adjustments to reconcile change in net assets to net cash from operating activities		
Return of grant funds	-	163,868
Depreciation and amortization	61,220	93,149
Loss on disposal of equipment	72,037	1,467
Net realized and unrealized gains on investments	(3,808,519)	(2,594,450)
Net unrealized gain on investments held for deferred compensation	(62,524)	(39,417)
Net unrealized loss on note receivable	-	11,002
Change in beneficial interest in perpetual trust	(5,317)	(3,072)
Deferred rent	29,767	-
Changes in operating assets and liabilities		
Receivables	(1,485,602)	(605,869)
Prepaid expenses and other assets	28,918	35,477
Accounts payable and accrued expenses	(26,400)	(219,877)
Change in deferred compensation	62,524	39,417
Net Cash from Operating Activities	(2,285,597)	(2,972,685)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of leasehold improvements, equipment and intangibles	(138,682)	(67,471)
Purchase of investments	(3,430,323)	(2,300,476)
Proceeds from sales of investments	6,339,272	5,697,538
Net Cash from Investing Activities	2,770,267	3,329,591
Net Change in Cash and Cash Equivalents	484,670	356,906
CASH AND CASH EQUIVALENTS		
Beginning of year	509,320	152,414
End of year	\$ 993,990	\$ 509,320

See notes to financial statements

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

1. Organization and Tax Status

Auburn Theological Seminary (“Auburn”) equips bold, resilient leaders – religious and secular, women and men, adults and teens – with the tools and resources they need to bridge religious divides, build congregations and communities, pursue justice and heal the world. A seminary with multifaith commitments and Christian roots, Auburn is an independent, educational institution for leadership development that faces the challenges of our fragmented, complex and violent time.

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, civil rights, gun violence prevention, equality for women, and xenophobia have been among Auburn’s chief 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. In recent decades it has been an innovator in multifaith education, in equipping religious leaders to use media, and in conducting research on, and for 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 represents new work in progress and aspirations for improving existing Auburn programs over the next 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 and began to plan for constructing new, state of the art educational meeting, seminar and training and other rooms. Auburn aspires for its programs and new space to be relevant and of consequence, and to draw to the institution anyone who has a stake in the quality of our shared life – the common good.

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.).

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

1. Organization and Tax Status (*continued*)

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.

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 and be counted, and to catalyze a larger movement for change. Thus Auburn programs are designed to educate and equip religious leaders and their allies 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.

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, training in using media and digital platforms is increasingly being incorporated into its Education/Theology programs.

Education/Theology

Auburn uses a variety of innovative pedagogical approaches and methodologies to equip and sustain individuals as 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 such as resilience that they need for our fast-changing world, and (3) use the wisdom of their faith traditions to achieve these goals.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

1. Organization and Tax Status (*continued*)

Areas of Programmatic Focus (continued)

Education/Theology (continued)

A new Auburn Senior Fellows Program is equipping and coaching game-changing leaders to build their national impact. The Sojourner Truth Leadership Circle enables African-American religious leaders to learn to care for their mind, body and spirit in order to sustain their leadership. The CrossCurrents Colloquium convenes religion scholars, sociologists, clergy, activists and others for in-depth scholarly exploration as it relates to contemporary critical concerns. Auburn's Entrepreneurial Ministry Fellowship equips pastors with the theological and practical capacities and support they need to develop new faith communities. Auburn's Coaching Programs advance the Christian leadership formation of pastors, helping them thrive in their ministries, as well as train coaches to assist others. The Face to Face | Faith to Faith program equips teens and post-college age program alumni from the Middle East, Northern Ireland and South Africa to tap their religious heritages to build mutual understanding and more peaceful communities. Multifaith seminars, events and experiential learning are public platforms for bridging divides and building a better tomorrow.

Media

Auburn Media provides media expertise to seasoned and emerging religious leaders, including those participating in Auburn programs, and religious expertise to the media. Recognizing that so many turn to mainstream media and the Internet for information, education and inspiration, Auburn Media offers a variety of workshops and coaching opportunities that equip religious leaders, seminary students and faith-rooted activists — and their community partners — to communicate strategically and effectively with and through media platforms on issues of pressing concern. Through FaithSource, an open, free resource providing access to influential, expert faith leaders and voices, Auburn helps journalists and other media makers connect with and cover the religious lens on issues ranging from gun violence prevention to marriage equality. Auburn also develops and/or distributes curricula and documentary films and videos on social issues and religion; these assist faith leaders in their work to educate and galvanize their constituencies. Through the Table to Action Project, Auburn equips faith leaders to improve their ability to communicate and work together more effectively toward a shared vision of a better world.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

1. Organization and Tax Status (*continued*)

Areas of Programmatic Focus (continued)

Action

Auburn Action equips faith-rooted leaders to develop strategies and skills for using social media to inspire congregants and constituencies, build community and move people of faith and moral courage to take action. Groundswell, Auburn's on-line community for social action, now counts some 100,000 participants and serves a dual purpose as a digital platform that faith leaders and others can use to educate and engage others on issues of pressing social concern. Auburn Action coaches and assists clergy and other 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. FaithShare promotes faith-rooted action through curating and sharing outstanding faith-inspired content on the Internet. MountainTop convenes faith leaders and their partners to explore strategies that deepen the role of religion in building a more just society and to promote collaboration and networks among leaders of diverse faiths, issues and sectors.

Research

The Center for the Study of Theological Education (CSTE) serves all religious groups and is nationally known for applied research on the needs of theological institutions, their leaders, students and stakeholders. CSTE identifies and conducts applied research on key issues such as student life and debt, educational and administrative leadership, faculty, curriculum, finances and the public role of theological schools. CSTE consultants help schools evaluate programs, develop strategies, forge new institutional partnerships, achieve financial stability and support their senior leadership. CSTE reports, publications and videos are widely distributed and available in print and/or on-line. New action-oriented research is exploring the interconnected issues of religious leadership, religious communities and structures in the context of changing religious life in America, and the implications these hold for theological education.

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.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

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.

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.

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.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

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

Contributions Receivable

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 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.

Leasehold Improvements, Equipment and Intangibles

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.

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.

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 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.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

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

Contributions

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.

Expense Allocation

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 other specific function 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, 2011.

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2013 is presented for comparative purposes only. The notes to the financial statements and certain activity by net asset classification are not included in this report. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements as of and for the year ended June 30, 2013, from which the summarized comparative information was derived.

Reclassification

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 financial statement presentation. There has been no effect on net assets as a result of these classifications.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

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

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 23, 2014.

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, 2014, one contribution receivable represented 31% of Auburn's total contributions receivable balance at year-end.

4. Contributions and Grants Receivable

Those receivables that are due in more than one year have been discounted to their present value using a discount rate of 4.9%. Management has determined that no allowance for uncollectible amounts is necessary. Contributions receivable are recorded as follows:

2014 - 2015	\$1,472,816
2015 - 2016	810,000
2016 - 2017	120,000
2017 - 2018	120,000
2018 - 2019	<u>100,000</u>
	2,622,816
Less discount to present value	<u>(87,861)</u>
Present value of contributions receivable	<u>\$2,534,955</u>

Grants receivable at June 30, 2014 total \$875,025 and are expected to be collected in the next fiscal year.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

4. Contributions and Grants Receivable *(continued)*

As of May 9, 2013 after a great deal of reflection and consultation Auburn Theological Seminary made the decision to end its Religion Dispatches program which had been acquired in June 2012. While the program amplified the voices of talented writers at the intersection of religion and public life, management concluded that its full potential would not be reached with existing structures in place. Auburn's management and board values our trusted and lengthy relationship with the funders who have generously provided underwriting of Religion Dispatches since its inception. All funds remaining were returned to the funders given that Auburn did not complete the programmatic obligations of those grants. The \$163,868 unused grant funds on the Statement of Activities represents funds pledged in the prior year that will not be received. In addition, another \$124,859 in donations were received and returned to three donors within the course of FY12-13. Since these donations were pledged, received and returned in the same fiscal year they are reported net of the Gifts and Grants line of the Statement of Activities.

5. Investments

The following summarizes the investments held by Auburn as of June 30, 2014:

	<u>Fair Value</u>
Cash and cash equivalents	\$ 74,440
Mutual funds	19,690,815
Real estate funds	455,321
Fund of funds	<u>5,722,568</u>
	<u>\$ 25,943,144</u>

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

5. Investments *(continued)*

The following summarizes investment return for the year ended June 30, 2014:

Interest and dividends	\$ 241,477
Realized and unrealized gain on investments	<u>3,808,519</u>
	<u>\$4,049,996</u>
Allocated investment income	
Budgetary allocation of investment income	\$1,272,969
Use of designated funds for capacity building	40,200
Investment income on restricted funds	<u>420,063</u>
	1,733,232
Non-allocated investment income	
Use of designated funds for capacity building	(40,200)
Non-allocated investment income	<u>2,356,964</u>
	<u>\$4,049,996</u>

Total investment advisory fees for fiscal year 2014 amounted to \$66,943.

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, 2014, grouped by the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Mutual Funds				
Domestic equity	\$ -	\$ 5,305,855	\$ -	\$ 5,305,855
International equity	6,115,819	1,692,782	-	7,808,601
Fixed income	3,509,626	-	-	3,509,626
Commodities	3,066,733	-	-	3,066,733
Real estate fund	-	455,321	-	455,321
Fund of Funds				
Long/short equity	-	-	2,842,964	2,842,964
Multi strategy	-	2,879,604	-	2,879,604
Total Investments at Fair Value	<u>12,692,178</u>	<u>10,333,562</u>	<u>2,842,964</u>	<u>25,868,704</u>
Investment cash	-	-	-	74,440
Beneficial interest in perpetual trust	<u>-</u>	<u>-</u>	<u>113,846</u>	<u>113,846</u>
Total Assets at Fair Value	<u>\$12,692,178</u>	<u>\$10,333,562</u>	<u>\$2,956,810</u>	<u>\$26,056,990</u>

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

6. Fair Value Measurements

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended June 30, 2014:

	Fund of Funds	Beneficial Interest in Perpetual Trust	Total
Balance, beginning of year	\$ 2,581,430	\$ 108,529	\$ 2,689,959
Total realized/unrealized appreciation relating to instruments still held at the reporting date included in earnings	<u>261,534</u>	<u>5,317</u>	<u>266,851</u>
Balance, end of year	<u>\$ 2,842,964</u>	<u>\$ 113,846</u>	<u>\$ 2,956,810</u>

Information regarding alternative investments measured at fair value using the practical expedient at June 30, 2014 is as follows:

	Fair Value	Unfunded Commitments	Redemptions Frequency	Notice Period
Real estate fund (see "a" below)	\$ 455,321	\$ -	Monthly	15 days
Long/short equity (see "b" below)	2,842,964	-	Annually	95 days
Multi strategy (see "c" below)	<u>2,879,604</u>	-	Quarterly	90 days
Total	<u>\$ 6,177,889</u>	<u>\$ -</u>		

- 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.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

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, Equipment and Intangibles

Leasehold improvements, equipment and intangibles consist of the following at June 30, 2014:

Leasehold improvements	\$ 117,003
Equipment	124,444
Website	<u>297,820</u>
	539,267
Less: accumulated depreciation and amortization	<u>(372,696)</u>
	<u>\$ 166,571</u>

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

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 2014 is reflected in the statement of activities as a non-operating gain totaling \$5,317.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and the purposes for which such net assets may be used are as follows:

Education/Theology	\$ 1,358,907
Media	440,463
Action	329,004
Research	1,827,507
New office space	106,889
	<u>\$4,062,770</u>

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, 2014 are as follows:

Operating Activity Releases:	
Education/Theology	\$ 986,712
Media	535,733
Action	268,047
Research	849,284
	<u>2,639,776</u>
Nonoperating Activity Releases:	
New office space	93,112
	<u>\$2,732,888</u>

10. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2014 are endowed for the following purposes:

Education/Theology	\$1,462,426
Media	713,646
Action	788,105
Research	5,123,008
	<u>\$8,087,185</u>

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

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 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.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

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.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

11. Endowment Funds *(continued)*

Endowment Net Asset Composition by Type of Fund

The following table summarizes the activity of the endowment funds for the year ended June 30, 2014 according to the purposes for which their income may be used:

	Permanently Restricted	Temporarily Restricted	Board Designated Endowment Fund	Total
Balance, June 30, 2013	\$ 7,242,262	\$ 1,107,072	\$ 11,532,290	\$19,881,624
Interest and dividends	268	69,670	171,539	241,477
Realized and unrealized gains	4,310	1,118,836	2,685,373	3,808,519
Appropriation for expenditure	-	(420,063)	(1,272,969)	(1,693,032)
Use of designated funds for capacity building	-	-	(40,200)	(40,200)
Use of designated funds for cost related to governance change	-	-	(173,440)	(173,440)
	<u>\$ 7,246,840</u>	<u>\$ 1,875,515</u>	<u>\$ 12,902,593</u>	<u>\$22,024,948</u>
Other investments not held as an endowment				3,918,196
Total investments				<u>\$25,943,144</u>
Comprised of the following:				
Donor restricted funds	\$ 7,246,840	\$ 1,875,515	\$ -	\$ 9,122,355
Board designated funds	-	-	12,902,593	12,902,593
Total Funds	<u>\$ 7,246,840</u>	<u>\$ 1,875,515</u>	<u>\$ 12,902,593</u>	<u>\$22,024,948</u>
Other investments not held as an endowment				3,918,196
Total Investments				<u>\$25,943,144</u>

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. Auburn is not aware of any funds with deficiencies as of June 30, 2014.

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, 2014 is \$442,056.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

12. Promissory Note Receivable-Deferred Compensation (*continued*)

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 July 1, 2002, Union Theological Seminary ("Union") and Auburn entered into a ten-year lease agreement. During the first fiscal year of the agreement, Auburn paid Union \$112,000 under the agreement, with annual increases of 3% thereafter. During fiscal 2013, Auburn signed an additional one-year lease with the Union, which ends on June 30, 2014.

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.

Total rent expense under the leases for fiscal year 2014 amounted to \$289,068.

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

2015	\$ 360,159
2016	360,159
2017	360,159
2018	360,159
2019	360,159
Thereafter	<u>1,650,729</u>
	<u>\$3,451,524</u>

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 2014 totaled \$205,338.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2014

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 (USA) and that a certain number of those members be from Presbyterian (USA) 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 who leads a company that facilitated an October 2013 convening for promising young-adult faith-based activist leaders that was funded by a foundation. Auburn applied for this grant from the foundation and paid this company for the facilitation work to support this meeting. During the year ended June 30, 2014, the amount paid to this company equaled \$54,000.

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