

# **Auburn Theological Seminary**

Financial Statements

June 30, 2020

## **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, 2020, 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, 2020, 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.

***Report on Summarized Comparative Information***

We have previously audited Auburn Theological Seminary's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

May 25, 2021

## Auburn Theological Seminary

Statement of Financial Position  
June 30, 2020  
(with comparative amounts at June 30, 2019)

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,809,928	\$ 1,010,651
Receivables		
Contributions, net (Note 4)	3,230,955	3,885,491
Grants, net (Note 4)	1,078,998	1,311,601
Other	96,054	1,383
Prepaid expenses and other assets	133,821	210,148
Investments (Notes 5 and 6)	9,141,947	9,614,914
Artwork	198,500	198,500
Leasehold improvements and equipment, net (Note 7)	2,663,913	3,486,556
Beneficial interest in perpetual trust (Notes 6 and 8)	105,740	111,853
Perpetually restricted investments (Notes 5, 6 and 9)	8,053,750	8,053,715
Total Assets	\$26,513,606	\$27,884,812
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 451,533	\$ 482,947
Fiscal sponsorship	228,001	248,220
Line of credit (Note 11)	1,000,000	-
Deferred rent	31,924	40,252
Loans payable (Note 14)	1,792,400	-
Total Liabilities	3,503,858	771,419
 Net Assets (Deficit)		
Without Donor Restrictions		
Undesignated	(1,193,642)	(2,385,544)
Board designated (Note 9)	8,362,114	8,956,368
Total Without Donor Restrictions	7,168,472	6,570,824
With donor restrictions (Notes 8 and 9)	15,841,276	20,542,569
Total Net Assets	23,009,748	27,113,393
	\$26,513,606	\$27,884,812

See notes to financial statements

## Auburn Theological Seminary

Statement of Activities  
Year Ended June 30, 2020  
(with summarized totals for the year ended June 30, 2019)

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions	2020 Total	2019 Total
	Undesignated	Board Designated			
<b>PUBLIC SUPPORT AND REVENUE</b>					
Gifts and grants	\$ 605,260	\$ -	\$ 2,406,063	\$ 3,011,323	\$ 6,006,309
Special events	610,215	-	-	610,215	575,486
Tuition and fees	177,797	-	-	177,797	175,144
Allocated investment return (Note 5)	600,000	-	400,000	1,000,000	1,000,000
Fiscal sponsorships	45,794	-	-	45,794	84,163
Other	149,452	-	-	149,452	15,648
Net assets released from restrictions (Note 9)	<u>7,106,055</u>	<u>-</u>	<u>(7,106,055)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>9,294,573</u>	<u>-</u>	<u>(4,299,992)</u>	<u>4,994,581</u>	<u>7,856,750</u>
<b>EXPENSES</b>					
Program Services					
Equipping leaders	5,078,122	-	-	5,078,122	6,480,452
Research	<u>354,901</u>	<u>-</u>	<u>-</u>	<u>354,901</u>	<u>1,012,106</u>
Total Program Services	<u>5,433,023</u>	<u>-</u>	<u>-</u>	<u>5,433,023</u>	<u>7,492,558</u>
Supporting Services					
Management and general	940,977	-	-	940,977	733,641
Fundraising and development	525,857	-	-	525,857	471,761
Direct cost of special events	<u>388,553</u>	<u>-</u>	<u>-</u>	<u>388,553</u>	<u>306,390</u>
Total Supporting Services	<u>1,855,387</u>	<u>-</u>	<u>-</u>	<u>1,855,387</u>	<u>1,511,792</u>
Total Expenses	<u>7,288,410</u>	<u>-</u>	<u>-</u>	<u>7,288,410</u>	<u>9,004,350</u>
Change in Net Assets before Nonoperating Activity	<u>2,006,163</u>	<u>-</u>	<u>(4,299,992)</u>	<u>(2,293,829)</u>	<u>(1,147,600)</u>
<b>NONOPERATING ACTIVITY</b>					
Change in beneficial interest in perpetual trust (Note 6)	-	-	(6,113)	(6,113)	(509)
Non-allocated investment return (Note 5)	-	(594,254)	(395,188)	(989,442)	(204,351)
Depreciation related to strategic build-out	<u>(814,261)</u>	<u>-</u>	<u>-</u>	<u>(814,261)</u>	<u>-</u>
Total Nonoperating Activity	<u>(814,261)</u>	<u>(594,254)</u>	<u>(401,301)</u>	<u>(1,809,816)</u>	<u>(204,860)</u>
Change in Net Assets	1,191,902	(594,254)	(4,701,293)	(4,103,645)	(1,352,460)
<b>NET ASSETS (DEFICIT)</b>					
Beginning of year	<u>(2,385,544)</u>	<u>8,956,368</u>	<u>20,542,569</u>	<u>27,113,393</u>	<u>28,465,853</u>
End of year	<u>\$ (1,193,642)</u>	<u>\$ 8,362,114</u>	<u>\$ 15,841,276</u>	<u>\$ 23,009,748</u>	<u>\$ 27,113,393</u>

See notes to financial statements

## Auburn Theological Seminary

### Statement of Functional Expenses Year Ended June 30, 2020 (with summarized totals for the year ended June 30, 2019)

	Program Services			Supporting Services			2020 Total	2019 Total
	Equipping Leaders	Research	Total Program Services	Management and General	Fundraising and Development	Direct Costs of Special Events		
<b>OPERATING EXPENSES</b>								
Salaries and wages	\$ 2,069,933	\$ 139,305	\$ 2,209,238	\$ 382,352	\$ 253,719	\$ 209,234	\$ 3,054,543	\$ 3,572,674
Payroll taxes and employee benefits	495,780	49,449	545,229	91,343	57,263	50,269	744,104	1,090,470
Professional fees and other contracted services	1,177,009	44,205	1,221,214	204,224	67,183	47,677	1,540,298	1,608,289
Marketing and communications	46,828	3,379	50,207	8,190	4,559	38,094	101,050	242,410
Office expenses	14,356	1,538	15,894	4,250	3,366	1,857	25,367	48,903
Equipment and information technology	59,097	6,023	65,120	30,295	13,323	8,585	117,323	198,932
Occupancy	252,400	56,282	308,682	67,453	63,849	8,487	448,471	523,439
Travel	667,374	32,044	699,418	9,409	10,380	10,694	729,901	640,411
Conferences, conventions and meetings	62,905	993	63,898	1,697	6,526	2,335	74,456	290,685
Depreciation and amortization	18,802	5,237	24,039	26,615	7,813	3,091	61,558	319,111
Insurance	22,572	6,287	28,859	14,881	26,450	3,710	73,900	47,409
Scholarship and grant awards	164,749	2,841	167,590	1,733	509	201	170,033	94,768
Miscellaneous	26,317	7,318	33,635	52,173	10,917	4,319	101,044	6,620
Bad Debt	-	-	-	46,362	-	-	46,362	320,229
Total Expenses before nonoperating expenses	5,078,122	354,901	5,433,023	940,977	525,857	388,553	7,288,410	9,004,350
<b>NONOPERATING EXPENSES</b>								
Depreciation related to strategic build-out	496,501	59,580	556,081	158,880	59,580	39,720	814,261	-
Total Expenses	\$ 5,574,623	\$ 414,481	\$ 5,989,104	\$ 1,099,857	\$ 585,437	\$ 428,273	\$ 8,102,671	\$ 9,004,350

See notes to financial statements

## Auburn Theological Seminary

Statement of Cash Flows  
Year Ended June 30, 2020  
(with comparative amounts for the year ended June 30, 2019)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (4,103,645)	\$ (1,352,460)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	875,819	319,111
Bad debt	46,362	320,229
Net realized and unrealized loss (gain) on investments	312,529	(300,894)
Change in beneficial interest in perpetual trust	6,113	509
Deferred rent	(8,328)	(8,328)
Changes in operating assets and liabilities		
Receivables	746,106	1,454,227
Prepaid expenses and other assets	76,327	(7,258)
Artwork	-	(10,500)
Accounts payable and accrued expenses	(31,414)	78,653
Fiscal sponsorship	(20,219)	(127,659)
Deferred compensation	-	(112,878)
Net Cash from Operating Activities	(2,100,350)	252,752
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of leasehold improvements and equipment	(53,176)	(1,961,642)
Purchase of investments	(5,866,117)	(12,459,650)
Proceeds from sales of investments	6,026,520	15,364,763
Net Cash from Investing Activities	107,227	943,471
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	1,000,000	-
Proceeds from loans payable	1,792,400	-
Payments on line of credit	-	(500,453)
Net Cash from Financing Activities	2,792,400	(500,453)
 Net Change in Cash and Cash Equivalents	799,277	695,770
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,010,651	314,881
End of year	\$ 1,809,928	\$ 1,010,651
<b>NON CASH OPERATING ACTIVITY</b>		
Deferred compensation payments used to satisfy the promissory note receivable	\$ -	\$ 28,760

See notes to financial statements

## **Auburn Theological Seminary**

Notes To Financial Statements  
June 30, 2020

### **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 today's most promising leaders – from the pulpit to the public square – to bridge religious divides, build community, pursue justice, and heal the world.

An independent, non-profit multifaith center for leadership development and research, 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 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 for life on the frontier. Its early leaders championed the great social movements of their time, including anti-fundamentalism, anti-slavery, reforms that supported the poor, prisoners' rights and women's advancement – and it was one of the first seminaries to educate women. More recently, racial and economic justice, gun violence prevention, immigration reform, LGBTQ equality, and climate change have been among Auburn's issues of social concern.

During the Great Depression, Auburn moved from its 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. Auburn continues to be an innovator in multifaith education, equipping religious leaders to use media to amplify their messages and catalyze action, as well as conducting research on theological education and religion in the public square.

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

While Auburn no longer grants degrees, it supports Presbyterian students enrolled at Union Theological Seminary and New York Theological Seminary with 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.

#### ***Educational Approach and Areas of Programmatic Focus***

Auburn equips leaders, religious and secular alike, with the skills, tools, resources, and resilience they need to create lasting, positive impact in local communities, on the national stage, and around the world.



## **Auburn Theological Seminary**

Notes To Financial Statements

June 30, 2020

### **1. Organization and Tax Status (*continued*)**

#### ***Educational Approach and Areas of Programmatic Focus (continued)***

Auburn amplifies voices and visions of faith and moral courage to inspire change.

Auburn convenes diverse leaders and organizations across multiple sectors to advance multifaith understanding and generative collaboration.

Auburn analyzes what is working – and not – in theological education and social change, as well as in its own work, sharing results nationwide.

Auburn engages leaders and communities in public conversation on social justice issues and provide platforms for taking action.

Auburn draws upon the expertise of its entire staff to create an inclusive, integrated approach to: (1) educating and equipping individuals and cohorts of faith and community leaders; (2) researching leadership development and evaluating the impact of its work; and (3) engaging the public. Auburn incorporates into these broad programs an array of tested training methods and curricular modules, as well as essential learnings from key initiatives.

#### ***Education***

Auburn uses a variety of innovative pedagogical approaches and methodologies to equip and support 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 and skills that they need for effective leadership in our fast-changing world; and (3) use the wisdom of their faith traditions to achieve these goals.

The Auburn Senior Fellows program equips and supports more than twenty top faith-rooted justice leaders so they may expand their national impact on critical social justice issues such as racism and gun violence.

Auburn regularly offers cohort leadership learning programs. The Sojourner Truth Leadership Circle empowers African-American women leaders at the front lines of social change to care for their mind, body and spirit in order to sustain their leadership. Justice Ministry Education is a leadership and spiritual formation program for organizers, seminary students, clergy, and nonprofit staff. Resiliency Fellows come together to work on the self-care and communal-care aspects of long term movement work. Gatherings for emerging leaders provide a chance for multifaith leaders to strengthen their approach to justice work. Auburn's training programs help leaders deepen their practice in such areas as social media, bridging divides, storytelling and public narrative, self-care, creative activism, and media and messaging.

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 1. Organization and Tax Status (*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 models for leadership development and public theological engagement with pressing social issues. Recent major studies have explored the use of distance education in theological schools and the role of field education in theological trainings. Auburn consultants help schools evaluate programs, develop strategies, forge new institutional partnerships, and support their senior leadership. Auburn researchers develop and implement methods of evaluating Auburn's impact.

The Auburn-CrossCurrents Research Colloquium convenes religion scholars, sociologists, clergy, activists and others for scholarly research and exploration on contemporary critical concerns. The Walter Wink Scholar Activist Award, given annually at the American Academy of Religion conference, recognizes inspiring scholars who effectively connect their scholarship and academic platform to today's social concerns.

#### **Media**

Auburn provides media expertise, workshops, and coaching to equip seasoned and emerging leaders of faith and moral courage, seminary students and faith-rooted activists — and their community partners — to communicate effectively on issues of pressing concern through print, digital, broadcast and radio platforms. Key issues include racial justice, gun violence prevention, LGBTQ equality, economic justice and human dignity. Auburn also 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. Auburn also develops and/or distributes curricula and curates media on social issues and religion for faith leaders to use in their work to educate and galvanize their constituencies.

Auburn produces a podcast called *Fortification* that explores the spiritual aspects of social change work and an online blogging platform called *Voices* to lift up varied multifaith social justice voices.

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 1. Organization and Tax Status (*continued*)

#### ***Action***

Auburn equips faith-rooted leaders to develop strategies and skills that inspire constituencies, build community, and move people of faith and moral courage to take action. Groundswell, Auburn's online community for social action, includes more than 230,000 participants. It also serves as a free, digital platform that faith leaders and activists can use to inform and engage others 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, immigration reform, human trafficking, working for a moral economy, countering Islamophobia and xenophobia, achieving LGBTQ equality, and protecting the dignity of marginalized people. 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 gathering for faith leaders and their partners to explore strategies that deepen the role of religion in building a more just society. Auburn maintains relationships with grassroots movement leaders across the United States and works with them to strengthen social movements, provide spiritual support, and connect faith communities to social change campaigns.

#### ***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 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 through individual and institutional charitable gifts and grants, investment income, special event income, and tuition and fees for service.

Auburn is eligible to receive matching and other types of contributions and support from corporations.

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 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.

#### ***Change in Accounting Principle***

Effective July 1, 2019, Auburn adopted new U.S. GAAP revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. Adoption of this Accounting Standard Update ("ASU") had no impact on Auburn's financial statements.

Auburn also adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange or nonexchange transactions. The adoption of this ASU had no impact on Auburn's financial statements.

#### ***Cash and Cash Equivalents***

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

#### ***Investment Valuation and Income Recognition***

Investments are carried at fair value.

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.

#### ***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 and liabilities. 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 and liabilities 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.

## **Auburn Theological Seminary**

Notes To Financial Statements  
June 30, 2020

### **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***

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 with donor restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are to be held in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restricted net assets are reclassified as without donor restricted and reported in the statement of activities as net assets released from restrictions.

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 discount is included in gifts and grants 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 are written off against the allowance for doubtful accounts only after all reasonable collection efforts have been exhausted.

#### ***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 is 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 using the straight-line methodology. Website development costs are amortized over their estimated useful life of 5 years using the straight-line methodology.

Leasehold improvements and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the year ended June 30, 2020.

## **Auburn Theological Seminary**

Notes To Financial Statements  
June 30, 2020

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

#### ***Artwork***

Auburn has a collection of artwork, recorded at cost totaling \$198,500, that is on public display. Artwork is not depreciated.

#### ***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. Net assets without donor restrictions are those currently available at the discretion of management and the Board of Directors for use in Auburn's operations. Net assets with donor restrictions are those stipulated by donors for specific purposes or time periods that will be met either by action of Auburn or passage of time or are amounts established by donor restricted gifts to provide a perpetual endowment.

#### ***Tuition and Fees***

Tuition and fee revenues are recognized in the fiscal year during which the academic services are rendered, as performance obligations are satisfied. 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 an expense.

#### ***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. The expenses that are allocated include occupancy, depreciation, and amortization, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort and headcount per department.

#### ***Measure of Operations***

Operations include all revenue and expenses that are an integral part of Auburn's programs and supporting activities. The measure of operations includes allocated investment return excludes non-allocated investment return. The measure of operations also excludes the change in beneficial interest in perpetual trust. During the fiscal year ended June 30, 2020, Auburn adopted a policy to exclude from operations the depreciation related to the strategic build-out.

## **Auburn Theological Seminary**

Notes To Financial Statements  
June 30, 2020

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

#### ***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, 2017.

#### ***Prior Year Summarized Comparative Information***

Information as of and for the year ended June 30, 2019 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, 2019, 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 May 25, 2021.

#### ***Reclassifications***

Certain 2019 amounts have been reclassified to conform to current year presentation.

### **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, receivables 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 receivables are generally diversified due to the large number of individuals composing Auburn's donor database. Auburn performs ongoing collectability evaluations and writes off uncollectible amounts as they become known. As of and for the year ended June 30, 2020, receivables from three donors and three contributions represented approximately 54% and 46% of Auburn's total receivables and gifts and grants, respectively.

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 4. Contributions and Grants Receivable

Contributions receivable at June 30, 2020 are expected to be received as follows:

2021	\$ 781,290
2022	780,290
2023	685,197
2024	235,196
2025	235,196
Thereafter	<u>534,801</u>
	3,251,970
Less discount to present value	<u>(21,015)</u>
Present value of contributions receivable	<u>\$ 3,230,955</u>

Grants receivable at June 30, 2020 are expected to be received as follows:

2021	\$ 929,648
2022	75,000
2023	<u>75,000</u>
	1,079,648
Less discount to present value	<u>(650)</u>
Present value of grants receivable	<u>\$ 1,078,998</u>

A present value discount using a rate of 0.29% 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.

### 5. Investments

The following summarizes the investments held by Auburn as of June 30, 2020:

Cash and cash equivalents	\$ 458,010
Equities	9,571,864
Mutual funds	5,459,311
Real estate funds	358,582
Fund of funds	<u>1,347,930</u>
	<u>\$ 17,195,697</u>



## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 5. Investments (continued)

The following summarized investment return for the year ended June 30, 2020:

Interest and dividends	\$ 389,467
Realized and unrealized loss on investments	(312,529)
Investment management fees	<u>(66,380)</u>
	<u>\$ 10,558</u>
Allocated investment return:	
Budgetary allocation of investment return	\$ 600,000
Investment return on restricted funds	<u>400,000</u>
	1,000,000
Non-allocated investment return	<u>(989,442)</u>
	<u>\$ 10,558</u>

### 6. Fair Value Measurements

The following are the classes and major categories of assets measured at fair value on a recurring basis, grouped by the fair value hierarchy as of June 30, 2020:

	Level 1	Level 3	Total
Equities	\$ 9,571,864	\$ -	\$ 9,571,864
Mutual funds	5,459,311	-	5,459,311
Real estate funds	358,582	-	358,582
Fund of funds			
Long/short equity	476,475	-	476,475
Multi strategy	<u>871,455</u>	<u>-</u>	<u>871,455</u>
Total Investments at Fair Value	16,737,687	-	16,737,687
Beneficial interest in perpetual trust	<u>-</u>	<u>105,740</u>	<u>105,740</u>
Total Assets at Fair Value	<u>\$ 16,737,687</u>	<u>\$ 105,740</u>	16,843,427
Investment cash and cash equivalents, at cost			<u>458,010</u>
Total			<u>\$ 17,301,437</u>

Changes from the beginning to ending balances for investments measured at fair value using significant unobservable inputs (Level 3) consist only of changes in beneficial interest in perpetual trust reported on the accompanying statement of activities totaling (\$6,113) for the year ended June 30, 2020.

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 7. Leasehold Improvements and Equipment

Leasehold improvements and equipment consist of the following at June 30, 2020:

Leasehold improvements	\$4,123,551
Furniture and equipment	312,265
Website development costs	<u>332,086</u>
	4,767,902
Less: accumulated depreciation and amortization	<u>2,103,989</u>
	<u><u>\$2,663,913</u></u>

### 8. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of June 30, 2020:

#### Time or Purpose Restricted

Equipping leaders	\$ 4,403,806
General operations - time restricted	2,834,657
Special events	80,000
Supportive services	100,000
Accumulated earnings on donor endowment	<u>263,323</u>
	<u>7,681,786</u>

#### Perpetually Restricted

Equipping leaders	2,940,321
Research	5,113,429
Beneficial in perpetual trust	<u>105,740</u>
	<u>8,159,490</u>
	<u><u>\$15,841,276</u></u>

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 8. Net Assets With Donor Restrictions (*continued*)

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, 2020 are as follows:

Equipping leaders	\$ 2,132,865
Research	255,977
General operations - time restricted	848,335
Special Events	56,500
Supportive services	200,000
Accumulated earnings on donor endowment	400,000
New office space	3,212,378
	<u>\$ 7,106,055</u>

### 9. Endowment Funds

#### *General*

Auburn's true endowment (also known as the perpetually restricted net assets) consists of 61 donor-restricted net asset funds, 60 of which support various general and particular purposes of Auburn. The returns from the various perpetually restricted net asset funds are either classified as time or purpose restricted or perpetually 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 perpetually 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 time or purpose 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 returns from long-term investments without donor restrictions and operational surpluses are considered board-designated funds functioning as an 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.

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 9. Endowment Funds *(continued)*

#### ***Interpretation of Relevant Law (continued)***

As a result of this interpretation, the Board of Directors classifies as perpetually restricted net assets (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations of investment returns to the perpetual 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 perpetually restricted net assets is classified as time or purpose 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 without donor restrictions.

#### ***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 net assets with donor restrictions that must be held in perpetuity.

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.

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 9. 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, 2020 according to the purposes for which their income may be used:

	Board Designated Endowment Fund	Time or Purpose Restricted	Perpetually Restricted	Total
Balance, June 30, 2019	\$ 8,956,368	\$ 658,546	\$ 8,053,715	\$ 17,668,629
Investment return, net	5,746	4,777	35	10,558
Appropriation for expenditure	<u>(600,000)</u>	<u>(400,000)</u>	<u>-</u>	<u>(1,000,000)</u>
Balance, June 30, 2020	<u>\$ 8,362,114</u>	<u>\$ 263,323</u>	<u>\$ 8,053,750</u>	16,679,187
Other investments not held as an endowment				<u>516,510</u>
Total Investments				<u>\$ 17,195,697</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 263,323	\$ 8,053,750	\$ 8,317,073
Board designated funds	<u>8,362,114</u>	<u>-</u>	<u>-</u>	<u>8,362,114</u>
Total Funds	<u>\$ 8,362,114</u>	<u>\$ 263,323</u>	<u>\$ 8,053,750</u>	16,679,187
Other investments not held as an endowment				<u>516,510</u>
Total Investments				<u>\$ 17,195,697</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 perpetually restricted contribution. Auburn is not aware of any funds with deficiencies as of June 30, 2020.

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 10. Liquidity and Available Resources

The following reflects Auburn's financial assets and resources available as of June 30, 2020, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves that action.

Financial Assets:	
Cash and cash equivalents	\$ 1,809,928
Receivables	4,406,007
Investments	<u>17,195,697</u>
Total financial assets	<u>23,411,632</u>
Less: Contractual, donor or internally restricted amounts	
Restricted by donor with time or purpose restrictions	(7,418,463)
Endowment funds	
Restricted by donor	(8,317,073)
Board designated	<u>(8,362,114)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>(686,018)</u>
Add: Endowment fund appropriation for the following year	1,000,000
Time or purpose donor restricted assets expected to be available for release	<u>3,608,838</u>
Financial assets available within one year including endowment fund appropriation	<u>3,922,820</u>
Liquidity Resources	
Line of credit available	2,000,000
PPP Loan Round 2 Funding	<u>678,200</u>
Total liquidity resources available	<u>2,678,200</u>
Total financial assets and liquidity resources available within one year	<u>\$ 6,601,020</u>

As part of Auburn's liquidity management, Auburn monitors the status of its cash needs on a quarterly basis and liquidates any assets as necessary in order to provide funds for the operations of its programs. In the event of an unanticipated liquidity need, Auburn could draw upon its \$2,000,000 available line of credit or from its Board-designated fund which amounted to \$8,362,114 at June 30, 2020.

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 11. 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 \$31,285. During January 2017, a 2.5% rent increase was charged to Auburn, which raised the monthly payment to \$32,067. Rent expense amounted to \$393,131 for the year ended June 30, 2020.

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

2021	\$ 394,107
2022	394,107
2023	394,107
2024	<u>328,423</u>
	<u>\$1,510,744</u>

#### **Line of Credit**

Auburn maintains a \$3,000,000 line of credit agreement with JPMorgan Chase Bank, N.A. Borrowings under the line of credit are available in the form of advances intended to be used to meet normal short-term working capital needs. The advances are collateralized by Auburn's property, as defined in the agreement, and will bear interest at a rate generally based on the London-Interbank offered rate as calculated under the terms of the agreement.

As of June 30, 2020 Auburn had borrowings against the line of credit agreement totaling \$1,000,000. The interest rate at June 30, 2020 was 1.69%.

### 12. 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 2020 totaled \$60,625 which represented 3 months of contributions.

### 13. Contingencies

From time to time, Auburn is involved in legal actions. Auburn believes the liabilities, if any, that may result from such actions will not have a materially adverse effect on Auburn's financial position.

## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 14. Loans Payable

#### *Paycheck Protection Program Loan*

On May 12, 2020, Auburn received loan proceeds in the amount of \$882,500 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loans bears an interest rate of 1% per annum. All or a portion of the PPP loan principle and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminated employees or reduces salaries above a certain threshold during the Covered Period and does not qualify for certain safe harbors. Although Auburn believes this loan will be substantially forgiven, there can be no guarantee that the United States Small Business Administration ("SBA") will approve the loan forgiveness. The unforgiven portion of the PPP loans are payable within two years from the date of the PPP loans with a deferral of payments of principal and interest until the amount of loan forgiveness is determined by the SBA. If Auburn does not apply for forgiveness, payments begin approximately 16 months after the loan date. As of June 30, 2020, the PPP loan is recognized as a liability of the statement of financial position.

Auburn will recognize the income from the forgiveness of the PPP loans when it receives the notification of forgiveness from SBA in accordance with Accounting Standards Codification ("ASC") 470 Debt.

#### *Economic Injury Disaster Loan*

On June 8, 2020, Auburn received a \$159,900 Economic Injury Disaster Loan authorized by the SBA. The loan is to be used solely as working capital to alleviate economic injury caused by the coronavirus disaster declared in March 2020 and still ongoing. The loan principal and interest accrued at 2.75% annually is payable in thirty years from the date of the loan. Payments are to begin twelve months from the date of the note.

Future minimum payments on the PPP loan (provided the PPP loan is not forgiven) and the Economic Injury Disaster Loan, including accrued interest, as of June 30, 2020 are as follows:

2021	\$ 74,951
2022	453,553
2023	379,243
2024	7,692
2025	7,692
Thereafter	<u>132,888</u>
	1,056,019
Less accrued interest	<u>(13,619)</u>
	<u>\$1,042,400</u>



## Auburn Theological Seminary

Notes To Financial Statements  
June 30, 2020

### 14. Loans Payable (*continued*)

#### *Related Party Loan*

During the year ended June 30, 2020, Auburn entered into a promissory note with a Board member yielding 1.53% interest per annum with a maturity date of March 31, 2023.

Future minimum payments on the related party loan as of June 30, 2020 are as follows:

2021	\$ 250,000
2022	250,000
2023	<u>250,000</u>
	<u>\$ 750,000</u>

### 15. COVID-19

Auburn's operations and financial performance may be affected by the recent coronavirus outbreak ("COVID-19") which has spread globally and has had an adverse affect on economic conditions throughout the world. If COVID-19 continues and conditions worsen, Auburn may experience a disruption in operations as well as a decline in support and revenues.

COVID-19 has resulted in substantial volatility in the global financial markets. As a result, Auburn's investments have incurred fluctuations in their fair market value since June 30, 2020. Because the value of the investments has and may fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

### 16. Subsequent Events

Subsequent to year-end, Auburn applied for a second round of funding and has received a \$678,200 Paycheck Protection Program loan (the "PPP Loan") from the Small Business Administration through an Independent Bank. The PPP Loan matures in 2026, has an interest rate of 1.0% per annum, and the majority of the principal amount outstanding is forgivable on July 31, 2020 if Auburn retains its current number of personnel and maintains the same working hours and pay rates for such personnel. To the extent Auburn reduces the number of employees or reduces their pay or working hours as compared to the same period in 2020, the amount of the PPP Loan that is forgivable shall be reduced by the amount of such reduction in pay to employees.

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