

Auburn Theological Seminary

Financial Statements

June 30, 2021

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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

April 24, 2022

Auburn Theological Seminary

Statement of Financial Position June 30, 2021 (with comparative amounts at June 30, 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,603,838	\$ 1,809,928
Receivables		
Contributions, net (Note 4)	2,996,887	3,230,955
Grants, net (Note 4)	622,844	1,078,998
Other	15,300	96,054
Prepaid expenses and other assets	166,728	133,821
Investments (Notes 5 and 6)	12,387,210	9,141,947
Artwork	198,500	198,500
Leasehold improvements and equipment, net (Note 7)	1,936,715	2,663,913
Beneficial interest in perpetual trust (Notes 6 and 8)	129,041	105,740
Perpetually restricted investments (Notes 5, 6 and 9)	8,089,314	8,053,750
	\$28,146,377	\$26,513,606
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 765,740	\$ 451,533
Fiscal sponsorship	138,473	228,001
Line of credit (Note 11)	1,000,000	1,000,000
Deferred rent	23,596	31,924
Loans payable (Note 13)	2,060,700	1,792,400
Total Liabilities	3,988,509	3,503,858
 Net Assets (Deficit)		
Without Donor Restrictions		
Undesignated	(1,796,644)	(1,193,642)
Board designated (Note 9)	9,942,779	8,362,114
Total Without Donor Restrictions	8,146,135	7,168,472
With donor restrictions (Notes 8 and 9)	16,011,733	15,841,276
Total Net Assets	24,157,868	23,009,748
	\$28,146,377	\$26,513,606

See notes to financial statements

Auburn Theological Seminary

Statement of Activities Year Ended June 30, 2021 (with summarized totals for the year ended June 30, 2020)

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions	2021 Total	2020 Total
	Undesignated	Board Designated			
PUBLIC SUPPORT AND REVENUE					
Gifts and grants	\$ 598,672	\$ -	\$ 2,489,427	\$ 3,088,099	\$ 3,011,323
Special events	1,045,784	-	25,000	1,070,784	610,215
Tuition and fees	147,095	-	-	147,095	177,797
Allocated investment return (Note 5)	600,000	-	400,000	1,000,000	1,000,000
Fiscal sponsorships	24,877	-	-	24,877	45,794
Other	55,063	-	-	55,063	149,452
Net assets released from restrictions (Note 8)	4,403,401	-	(4,403,401)	-	-
Total Public Support and Revenue	<u>6,874,892</u>	<u>-</u>	<u>(1,488,974)</u>	<u>5,385,918</u>	<u>4,994,581</u>
EXPENSES					
Program Services					
Social impact	1,027,587	-	-	1,027,587	1,196,664
Leadership development	1,566,810	-	-	1,566,810	1,824,610
Community impact	2,070,992	-	-	2,070,992	2,411,749
Total Program Services	<u>4,665,389</u>	<u>-</u>	<u>-</u>	<u>4,665,389</u>	<u>5,433,023</u>
Supporting Services					
Management and general	1,665,557	-	-	1,665,557	940,977
Fundraising and development	449,588	-	-	449,588	914,410
Total Supporting Services	<u>2,115,145</u>	<u>-</u>	<u>-</u>	<u>2,115,145</u>	<u>1,855,387</u>
Total Expenses	<u>6,780,534</u>	<u>-</u>	<u>-</u>	<u>6,780,534</u>	<u>7,288,410</u>
Change in Net Assets before Nonoperating Activity	<u>94,358</u>	<u>-</u>	<u>(1,488,974)</u>	<u>(1,394,616)</u>	<u>(2,293,829)</u>
NONOPERATING ACTIVITY					
Change in beneficial interest in perpetual trust (Note 6)	-	-	23,301	23,301	(6,113)
Non-allocated investment return (Note 5)	-	1,580,665	1,636,130	3,216,795	(989,442)
Depreciation related to strategic build-out	(697,360)	-	-	(697,360)	(814,261)
Total Nonoperating Activity	<u>(697,360)</u>	<u>1,580,665</u>	<u>1,659,431</u>	<u>2,542,736</u>	<u>(1,809,816)</u>
Change in Net Assets	(603,002)	1,580,665	170,457	1,148,120	(4,103,645)
NET ASSETS (DEFICIT)					
Beginning 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>
End of year	<u>\$ (1,796,644)</u>	<u>\$ 9,942,779</u>	<u>\$ 16,011,733</u>	<u>\$ 24,157,868</u>	<u>\$ 23,009,748</u>

See notes to financial statements

Auburn Theological Seminary

Statement of Functional Expenses Year Ended June 30, 2021 (with summarized totals for the year ended June 30, 2020)

	Program Services			Supporting Services		2021 Total	2020 Total	
	Social Impact	Leadership Development	Community Impact	Total Program Services	Management and General			Fundraising and Development
OPERATING EXPENSES								
Salaries and wages	\$ 360,835	\$ 635,466	\$ 638,562	\$ 1,634,863	\$ 915,792	\$ 195,896	\$ 2,746,551	\$ 3,054,543
Payroll taxes and employee benefits	83,808	140,012	167,913	391,733	148,886	36,435	577,054	744,104
Professional fees and other contracted services	401,405	478,140	872,975	1,752,520	276,626	72,966	2,102,112	1,540,298
Marketing and communications	47,305	38,728	43,031	129,064	49,792	26,893	205,749	101,050
Office expenses	1,592	5,877	4,945	12,414	8,219	1,421	22,054	25,367
Equipment and information technology	24,153	18,875	15,075	58,103	55,890	17,097	131,090	117,323
Occupancy	60,789	100,527	115,165	276,481	132,678	37,881	447,040	448,471
Travel	98	335	338	771	413	111	1,295	729,901
Conferences, conventions and meetings	1,752	9,328	4,386	15,466	948	295	16,709	74,456
Depreciation and amortization	3,000	5,000	4,000	12,000	12,741	5,097	29,838	61,558
Insurance	9,949	16,582	13,266	39,797	59,168	-	98,965	73,900
Scholarship and grant awards	30,314	113,626	47,786	191,726	3,528	4,478	199,732	170,033
Miscellaneous	87	147	140,217	140,451	876	5,193	146,520	101,044
Bad debt	2,500	4,167	3,333	10,000	-	45,825	55,825	46,362
Total Expenses Before Nonoperating Expenses	<u>1,027,587</u>	<u>1,566,810</u>	<u>2,070,992</u>	<u>4,665,389</u>	<u>1,665,557</u>	<u>449,588</u>	<u>6,780,534</u>	<u>7,288,410</u>
NONOPERATING EXPENSES								
Depreciation related to strategic build-out	<u>70,108</u>	<u>116,847</u>	<u>93,478</u>	<u>280,433</u>	<u>297,805</u>	<u>119,122</u>	<u>697,360</u>	<u>814,261</u>
Total Expenses	<u>\$ 1,097,695</u>	<u>\$ 1,683,657</u>	<u>\$ 2,164,470</u>	<u>\$ 4,945,822</u>	<u>\$ 1,963,362</u>	<u>\$ 568,710</u>	<u>\$ 7,477,894</u>	<u>\$ 8,102,671</u>

See notes to financial statements

Auburn Theological Seminary

Statement of Cash Flows Year Ended June 30, 2021 (with comparative amounts for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,148,120	\$ (4,103,645)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	727,198	875,819
Bad debt	55,825	46,362
Net realized and unrealized (gain) loss on investments	(3,962,598)	312,529
Change in beneficial interest in perpetual trust	(23,301)	6,113
Deferred rent	(8,328)	(8,328)
Changes in operating assets and liabilities		
Receivables	715,151	746,106
Prepaid expenses and other assets	(32,907)	76,327
Accounts payable and accrued expenses	314,207	(31,414)
Fiscal sponsorship	(89,528)	(20,219)
Net Cash from Operating Activities	(1,156,161)	(2,100,350)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of leasehold improvements and equipment	-	(53,176)
Purchase of investments	(4,313,095)	(5,866,117)
Proceeds from sales of investments	4,994,866	6,026,520
Net Cash from Investing Activities	681,771	107,227
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	1,000,000
Proceeds from loans payable	268,300	1,792,400
Net Cash from Financing Activities	268,300	2,792,400
 Net Change in Cash and Cash Equivalents	(206,090)	799,277
 CASH AND CASH EQUIVALENTS		
Beginning of year	1,809,928	1,010,651
End of year	\$ 1,603,838	\$ 1,809,928

See notes to financial statements

Auburn Theological Seminary

Notes To Financial Statements

June 30, 2021

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 more than 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. Priority issues now include racial and gender justice; LGBTQ and reproductive justice; economic justice; environmental justice, and religious freedom.

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 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 other area ministers 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 justice leadership.

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 accompanies leaders of faith and moral courage from the pulpit to the public square to equip communities, build partnerships, pursue justice, and repair the world.

Auburn Theological Seminary

Notes To Financial Statements

June 30, 2021

1. Organization and Tax Status (*continued*)

Educational Approach and Areas of Programmatic Focus (continued)

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 collective action.

Auburn draws upon its entire staff's expertise to create an inclusive, integrated approach to: (1) catalyzing and equipping individuals and cohorts of faith and community leaders; (2) strengthening faith organizing, community groups, and social justice movements; and (3) changing public narratives to advance social transformation.

Leadership Development

Auburn catalyzes new and established justice leaders motivated to work for justice by their faith, spiritual, and/or ethical traditions by providing them with peer support and communities of practice. Auburn's work turns on three evidence-based convictions: (1) Spirit-rooted justice leaders are vital to facilitating and strengthening social cohesion and civic integrity; (2) Sharing wisdom, skills, relationships, and resources is integral to movement-wide success; and (3) Platforming influential yet under-resourced leaders and enabling the spread of research-informed narratives and frames creates the conditions for needed change.

Auburn uses a variety of innovative approaches and methods to accompany and equip individuals and cohorts of religious and community leaders, to reach across lines of religious difference to address today's most pressing issues; develop the traits of effective leadership in our fast-changing world; and use the wisdom of their faith, spiritual, or ethical traditions to achieve justice goals.

Current leadership development and cohort programs include the Sojourner Truth Leadership Circle ("SLTC"), a network for thriving Black women leaders working at the intersections of faith, spirituality, community-building, and social justice. Rooted in Audre Lorde's ground-breaking idea that caring for ourselves is a revolutionary act and organized around the guiding mantra that "self-care is a mandate for prophetic leadership," the SLTC converts these core values into a practical program for Black women leaders of faith and moral courage to use in their own lives and with the vulnerable communities they serve.

Gatherings for emerging faith, spiritual, and community leaders provide a chance for multifaith leaders to build relationships and strengthen both their vocations and their justice organizing. Auburn accompanies and connects faith and spirit-rooted community leaders who are growing their local, regional, and national impact in spiritual leadership and social justice. Participants engage this peer network for mentorship and ongoing support so they can lead effectively in rapidly changing religious and social contexts.

Auburn Theological Seminary

Notes To Financial Statements

June 30, 2021

1. Organization and Tax Status (*continued*)

Leadership Development (continued)

The Auburn Senior Fellows program is a multifaith leadership development community for preeminent faith-rooted justice leaders in the U.S. working toward social justice and modeling multifaith engagement with today's most pressing social challenges. Through these and other leadership development containers, Auburn offers individual participants leadership and communications coaching, strategic networking and peer connection, and opportunities to share their work with the broader leadership community. In Auburn's trainings, leaders deepen effective practice in such areas from social media to storytelling and public narrative.

Community Growth

Auburn cultivates the multifaith, multiracial justice movement by connecting and strategically supporting leadership networks that facilitate, organize for, and deepen social transformation. Recent community growth and movement-building programs have woven diverse networks of faith and spiritual leaders across the United States championing new narratives and building creative community.

These projects equip participants to build relationships across lines of difference; articulate new frames for economic justice, infrastructures of care, cooperative economics, and reparations; use dialogue, media, and documentary film to increase understanding and mitigate disinformation; and advocate for bodily autonomy, reproductive justice, and the comprehensive conditions families and communities need to flourish.

Being in Relationship, building on a decade of engagement with moderate Catholics and mainline Protestants reconsidering their approach to LGBTQ people in church and society, now advocates for curiosity, compassion, and deep engagement across differences including race, gender, and class. Through peer communities of practice and accountability, people of faith are empowered to address toxic elements in their traditions and communities to ensure long-term cultural change.

In the project New Cultural Stories for Economic Justice, Auburn has mapped and connected faith-rooted efforts to advance economic justice and tell more faithful economic stories about Americans facing poverty, underemployment, and other forms of financial hardship. Auburn believes that social justice and prosperity for all go hand-in-hand and that our economy is stronger when it is fairer and when everyone can thrive. Through interventions around the country Auburn is championing sustainable, community-based models to address pervasive misunderstandings about poverty and related systemic challenges.

Feminist Leaders for Reproductive Justice grew out of Auburn's work to grow the bench of faith-rooted feminist organizers equipped to advance reproductive justice in their local communities. From that work, Auburn developed a new curricular guide that faith and community leaders can use to build and sustain new hubs of advocacy, activism, and community engagement. Auburn is also building on the Sojourner Truth Leadership Circle methodology to resource a cohort of Black and Brown grassroots reproductive justice providers and advocates facing enormous pressure in this social, legal, and judicial climate.

Auburn Theological Seminary

Notes To Financial Statements

June 30, 2021

1. Organization and Tax Status (*continued*)

Community Growth (continued)

Auburn builds collective impact by convening leaders nationally and locally to develop and launch collaborative, cross-sector strategies for change. MountainTop is a national gathering for faith, justice, and social change leaders to explore strategies for bending the moral arc toward justice and creating the conditions for all to thrive. Auburn maintains relationships with both institutional and grassroots movement leaders, across the United States and beyond, working with them to strengthen social movements, provide spiritual support, and connect faith communities to social change campaigns.

To strengthen these faith-rooted justice movements, Auburn provides group facilitation, strategy consultation, and media and campaign coaching to equip seasoned and emerging leaders of faith and moral courage, seminary students, faith-rooted activists, and their community partners to communicate effectively across types of media. Auburn also connects faith leaders and expert voices to public platforms and helps journalists and media makers connect with and cover religious and spiritual perspectives. Auburn develops, distributes, and/or curates media on social issues and religion for faith leaders to use in their work to educate and galvanize their constituencies.

Social Impact

Auburn changes narratives, amplifying the impact of faith and justice movement leaders and convening a broad cross-section of communities to create and advance research-based messaging and content that inspires connection, resilience, and hope. Social impact program participants learn movement wisdom through podcasts; build audience through digital campaigns; and deepen public understanding through storytelling, issue advocacy, and impact campaigns.

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. Recent major studies have explored how local US cities welcome migrants and other newcomers and what moral frames people of faith can use to advance reproductive dignity and recognize reproduction as labor.

Auburn consultants help Auburn and theological schools evaluate programmatic impact, design or evaluate new leadership development strategies, forge institutional partnerships, and support senior leaders. The Auburn-APRIL Summer Colloquium convenes religion scholars, sociologists, clergy, activists, artists, and others for scholarly research and exploration on contemporary critical concerns.

The Walter Wink Scholar Activist Award, given at the national American Academy of Religion conference, recognizes inspiring scholars who effectively connect their scholarship and academic platform to today's social concerns.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2021

1. Organization and Tax Status (*continued*)

Social Impact (continued)

Auburn's multimedia resources include the podcast Friends for Life, which features multifaith leaders and organizers reflecting on the relationships that have sustained them in social change work; the Hartley Media Impact Initiative's pipeline of justice documentaries, curated for filmmakers conducting faith engagement campaigns; and a web-editorial platform, Voices, which elevates reflections and interviews by multifaith justice leaders including Auburn staff, and highlights opportunities from across the movement.

Through these resources, Auburn sustains transformational leadership in the multifaith, multiracial movement for justice, building networks of believers, thinkers, and doers who hope that change is possible and work to make it so.

Our Impact

After more than 200 years, Auburn remains at the forefront of needed change because our vision continues to exceed limitations—from outdated strategic frameworks to narrow political and cultural imaginaries. Auburn has equipped thousands of faith and spiritual leaders over the life of our institution. Auburn's impact includes:

More inclusive and affirming faith communities and publics: Auburn produced a video and training guide that the Human Rights Campaign credited with helping to move white evangelical and conservative Black Christians to affirm their LGBTQ peers and advance the cause of marriage equality.

A growing community of thriving Black women leaders living their liberatory futures, now: the Sojourner Truth Leadership Circle (STLC) is a unique community of practice dedicated to supporting the lives and leadership of Black women who work at the intersection of faith/spirituality, community-building, and social justice and mandating self-care as a principle of prophetic leadership.

Multifaith leadership that strengthens public trust and civic integrity: The Auburn Senior Fellows, a first-of-its-kind fellowship program, has connected and resourced a powerful, multifaith cadre of leaders whose voices are now heard at the highest levels of the U.S. Government and who are widely considered some of the most visible leaders of the multifaith movement for justice in the U.S.

Media makers whose stories change hearts, minds, and systems: Building on the legacy of Auburn's media training program, Hartley Media Impact Initiative enables documentary filmmaking teams to sharpen and amplify their social justice messaging and broaden their impact, including most recently the team behind the Emmy-award winning film *Belly of the Beast* (2021), which led to passage and signing of landmark reparations for the modern-day eugenics and reproductive injustices in California state prisons.

Moving communities from extractive to solidarity economies: Auburn is forging a new network of faith and spiritual leaders, spanning and connecting four disparate regions—South, Southwest, Midwest, and West—now working in tandem to champion sustainable, community-based models to address pervasive misunderstandings about poverty and related systemic challenges.

Auburn Theological Seminary

Notes To Financial Statements

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1. Organization and Tax Status (*continued*)

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.

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.

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.

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Notes To Financial Statements

June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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.

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.

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Notes To Financial Statements
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Leasehold Improvements and Equipment (continued)

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, 2021.

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 fees revenue are recognized in the fiscal year during which the academic services are rendered. Tuition and fees contracts include a single performance obligation that is satisfied at a point in time. When tuition and fees revenue is earned over a period that spans the year end of the organization, it is recognized in the applicable period in which it is earned. Tuition and fees revenue is not recognized until it is probable of collections.

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.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2021

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

Functional Allocation of Expense (continued)

The expenses that are allocated include occupancy, depreciation, and amortization, salaries and wages, benefits, payroll taxes, professional services, office expenses, equipment and information technology, and insurance 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.

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, 2018.

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2020 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, 2020, 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 April 24, 2022. Management determined that, except as disclosed in Note 13, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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.

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Notes To Financial Statements
June 30, 2021

3. Concentration of Credit Risk *(continued)*

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, 2021, receivables from four donors and five contributions represented approximately 66% and 58% of Auburn's total receivables and gifts and grants, respectively.

4. Contributions and Grants Receivable

Contributions receivable at June 30, 2021 are expected to be received as follows:

2022	\$ 2,041,729
2023	229,801
2024	229,801
2025	229,802
2026	105,000
Thereafter	<u>200,000</u>
	3,036,133
Less discount to present value	<u>(39,246)</u>
Present value of contributions receivable	<u>\$ 2,996,887</u>

Grants receivable at June 30, 2021 are expected to be received as follows:

2022	\$ 375,000
2023	<u>250,000</u>
	625,000
Less discount to present value	<u>(2,156)</u>
Present value of grants receivable	<u>\$ 622,844</u>

A present value discount using a rate of 0.87% 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, 2021:

Cash and cash equivalents	\$ 421,751
Equities	12,185,315
Mutual funds	4,959,833
Real estate funds	803,297
Fund of funds	<u>2,106,328</u>
	<u>\$ 20,476,524</u>

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2021

5. Investments *(continued)*

The following summarized investment return for the year ended June 30, 2021:

Interest and dividends	\$ 338,825
Realized and unrealized gain on investments	3,962,598
Investment management fees	<u>(84,628)</u>
	<u>\$ 4,216,795</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>3,216,795</u>
	<u>\$ 4,216,795</u>
Perpetual Trust:	
Use of designated funds for capacity building	\$ 24,663
Non-allocated investment income	<u>(1,362)</u>
	<u>\$ 23,301</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, 2021:

	Level 1	Level 3	Total
Equities	\$ 12,185,315	\$ -	\$ 12,185,315
Mutual funds	4,959,833	-	4,959,833
Real estate funds	803,297	-	803,297
Fund of Funds			
Long/short equity	424,746	-	424,746
Multi strategy	<u>1,681,582</u>	-	<u>1,681,582</u>
Total Investments at Fair Value	20,054,773	-	20,054,773
Beneficial interest in perpetual trust	-	129,041	129,041
Total Assets at Fair Value	<u>\$ 20,054,773</u>	<u>\$ 129,041</u>	20,183,814
Investment cash and cash equivalents, at cost			<u>421,751</u>
Total			<u>\$ 20,605,565</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 \$23,301 for the year ended June 30, 2021.

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Notes To Financial Statements
June 30, 2021

7. Leasehold Improvements and Equipment

Leasehold improvements and equipment consist of the following at June 30, 2021:

Leasehold improvements	\$4,123,551
Furniture and equipment	308,500
Website development costs	<u>332,086</u>
	4,764,137
Less: accumulated depreciation and amortization	<u>2,827,422</u>
	<u>\$1,936,715</u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of June 30, 2021:

Time or Purpose Restricted	
Leadership development	\$ 1,319,840
Community growth	1,832,901
Social impact	180,044
Supportive services	41,188
Special projects	100,000
Special events	75,000
Accumulated earnings on donor endowment	1,884,469
General operations - time restricted	<u>2,359,936</u>
	<u>7,793,378</u>
Perpetually Restricted	
Equipping Leaders	2,947,727
Research	5,121,007
General operating	20,580
Beneficial in perpetual trust	<u>129,041</u>
	<u>8,218,355</u>
	<u>\$ 16,011,733</u>

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Notes To Financial Statements
June 30, 2021

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, 2021 are as follows:

Leadership development	\$ 758,005
Community growth	1,431,046
Social impact	534,985
Supportive services	123,532
Special projects	200,000
Special events	31,500
Accumulated earnings on donor endowment	400,000
General operations - time restricted	924,333
	<u>\$ 4,403,401</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.

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Notes To Financial Statements
June 30, 2021

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.

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Notes To Financial Statements
June 30, 2021

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, 2021 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, 2020	\$ 8,362,114	\$ 263,323	\$ 8,053,750	\$ 16,679,187
Investment return	2,180,665	2,021,146	14,984	4,216,795
Donor contribution	-	-	20,580	20,580
Appropriation for expenditure	(600,000)	(400,000)	-	(1,000,000)
Balance, June 30, 2021	\$ 9,942,779	\$ 1,884,469	\$ 8,089,314	19,916,562
Other investments not held as an endowment				559,962
Total Investments				\$ 20,476,524
Comprised of the following:				
Donor restricted funds	\$ -	\$ 1,884,469	\$ 8,089,314	\$ 9,973,783
Board designated funds	9,942,779	-	-	9,942,779
Total Funds	\$ 9,942,779	\$ 1,884,469	\$ 8,089,314	19,916,562
Other investments not held as an endowment				559,962
Total Investments				\$ 20,476,524

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, 2021.

10. Liquidity and Available Resources

The following reflects Auburn's financial assets and resources available as of June 30, 2021, 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.

Auburn Theological Seminary

Notes To Financial Statements
June 30, 2021

10. Liquidity and Available Resources *(continued)*

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	\$ 1,603,838
Receivables	3,635,031
Investments	<u>20,476,524</u>
Total Financial Assets	25,715,393
Less: Contractual, donor or internally restricted amounts	
Restricted by donor with time or purpose restrictions	(5,908,909)
Endowment funds	
Restricted by donor	(9,973,783)
Board designated	<u>(9,942,779)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>(110,078)</u>
Add: Endowment fund appropriation for the following year	928,643
Time or purpose donor restricted assets expected to be available for release	<u>3,972,908</u>
Financial Assets Available Within One Year Including Endowment Fund Appropriation	<u>4,791,473</u>
Liquidity Resources	
Line of credit available	<u>2,000,000</u>
Total Financial Assets and Liquidity Resources Available Within One Year	<u>\$ 6,791,473</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 \$9,942,779 at June 30, 2021.

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Notes To Financial Statements
June 30, 2021

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 \$32,912. Rent expense amounted to \$394,947 for the year ended June 30, 2021.

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

2022	\$ 394,947
2023	394,947
2024	<u>328,423</u>
	<u>\$ 1,118,317</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, 2021 Auburn had borrowings against the line of credit agreement totaling \$1,000,000. The interest rate at June 30, 2021 was 1.62%.

12. Retirement Benefits

Auburn sponsors a tax-deferred annuity plan for its permanent employees who have completed at least one year of service. Elective contributions to the plan are made at 10% of participants' gross salaries, up to the maximum amount allowed by the Internal Revenue Service. Auburn did not incur pension expense for fiscal year 2021.

13. Loans Payable

Paycheck Protection Program Loans

Auburn has received total loan proceeds in the amount of \$1,560,700 under the Paycheck Protection Program (the "PPP"). On May 12, 2020, Auburn received its initial loan proceeds in the amount of \$882,500 under the PPP. On March 5, 2021, Auburn received additional loan proceeds in the amount of \$678,200 from round two of the PPP.

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Notes To Financial Statements
June 30, 2021

13. Loans Payable (*continued*)

Paycheck Protection Program Loans (continued)

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 or 2020 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 is 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 below a certain threshold during the Covered Period and does not qualify for certain safe harbors. Although Auburn believes these loans 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 or five years from the date of the PPP loan 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 24 months after the loan date. As of June 30, 2021, the PPP loans are recognized as a liability on the statement of financial position.

Subsequent to fiscal year end, on August 27, 2021, Auburn received full forgiveness from the SBA of the \$882,500 of loan proceeds received under the first round of the PPP. On February 14, 2022, Auburn received full forgiveness from the SBA of the \$678,200 of loan proceeds received under the second round of the PPP. Auburn will recognize the forgiven PPP loan amounts as revenue in the year ending June 30, 2022, 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. The loan was paid in full by Auburn during fiscal year ended June 30, 2021.

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, 2021 are as follows:

2022	\$ 250,000
2023	<u>250,000</u>
	<u>\$ 500,000</u>

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Notes To Financial Statements
June 30, 2021

14. COVID-19

Auburn's operations and financial performance may be affected by the ongoing 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 volatility in the global financial markets. As a result, Auburn's investments have incurred fluctuations in their fair value since June 30, 2021. Because the value of the investments has and may continue to fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

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