

**American Academy of Religion, Inc.  
& Subsidiaries**

**Consolidated Financial Statements**  
June 30, 2016 and 2015

# American Academy of Religion, Inc. & Subsidiaries

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
American Academy of Religion, Inc.

We have audited the accompanying consolidated financial statements of **American Academy of Religion, Inc. & Subsidiaries** (the Academy), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Academy's preparation and fair presentation of the consolidated 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 Academy'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Academy of Religion, Inc. & Subsidiaries as of June 30, 2016 and 2015, and the changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

*Windham Brannon, P.C.*

Certified Public Accountants

February 8, 2017

# American Academy of Religion, Inc. & Subsidiaries

## Consolidated Statements of Financial Position June 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash in banks	\$ 1,606,192	\$ 957,897
Accounts receivable, net of allowance for doubtful accounts	55,514	219,673
Grants receivable	-	289,000
Related party receivable	5,482	2,838
Prepaid expenses and other assets	52,310	26,377
Furniture and software, net of accumulated depreciation	181,333	175,328
Work in process - software development	166,461	99,486
Share of Luce Center assets, net of accumulated depreciation	1,955,538	2,013,767
Marketable securities	7,200,776	7,464,495
<b>Total assets</b>	<b>\$ 11,223,606</b>	<b>\$ 11,248,861</b>
<b>Liabilities and net assets</b>		
Line of credit	\$ 18,750	\$ 131,250
Accounts payable and accrued expenses	98,988	64,482
Related party payable	263,541	113,912
Accrued vacation	109,392	98,353
Deferred revenue - membership	417,229	393,975
Deferred revenue - annual meeting	782,659	799,229
<b>Total liabilities</b>	<b>1,690,559</b>	<b>1,601,201</b>
<b>Net assets</b>		
Unrestricted	6,489,605	6,640,493
Temporarily restricted	1,843,442	1,807,167
Permanently restricted	1,200,000	1,200,000
<b>Total net assets</b>	<b>9,533,047</b>	<b>9,647,660</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,223,606</b>	<b>\$ 11,248,861</b>

The accompanying notes are an integral part of these consolidated financial statements.

# American Academy of Religion, Inc. & Subsidiaries

## Consolidated Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and other support</b>				
Membership dues	\$ 908,935	\$ -	\$ -	\$ 908,935
Regional and annual meeting registration and exhibits	1,410,358	-	-	1,410,358
Employment information services	81,505	-	-	81,505
Grant revenue	1,227	165,473	-	166,700
Label sales	27,128	-	-	27,128
Royalties	7,863	-	-	7,863
Publications	54,589	-	-	54,589
Contributions and gifts in kind	60,777	4,620	-	65,397
Luce Center rental income	132,619	-	-	132,619
Interest and dividends	81,688	46,849	-	128,537
Miscellaneous	8,920	-	-	8,920
Net assets released from restrictions	143,000	(143,000)	-	-
<b>Total revenues and other support</b>	<b>2,918,609</b>	<b>73,942</b>	<b>-</b>	<b>2,992,551</b>
<b>Expenses</b>				
<b>Program</b>				
Research and publications	256,652	-	-	256,652
Member services	857,609	-	-	857,609
Professional development services	121,255	-	-	121,255
External relations	207,447	-	-	207,447
Regional and annual meeting	877,461	-	-	877,461
<b>Total program expenses</b>	<b>2,320,424</b>	<b>-</b>	<b>-</b>	<b>2,320,424</b>
Luce Center expenses	152,107	-	-	152,107
General and administrative	293,005	-	-	293,005
Fundraising	24,236	-	-	24,236
<b>Total expenses</b>	<b>2,789,772</b>	<b>-</b>	<b>-</b>	<b>2,789,772</b>
<b>Increase in net assets before depreciation and investment gains</b>	<b>128,837</b>	<b>73,942</b>	<b>-</b>	<b>202,779</b>
<b>Depreciation</b>	<b>(185,297)</b>	<b>-</b>	<b>-</b>	<b>(185,297)</b>
<b>Investment losses (realized and unrealized)</b>	<b>(94,428)</b>	<b>(37,667)</b>	<b>-</b>	<b>(132,095)</b>
<b>Increase in net assets</b>	<b>(150,888)</b>	<b>36,275</b>	<b>-</b>	<b>(114,613)</b>
<b>Net assets, beginning of year</b>	<b>6,640,493</b>	<b>1,807,167</b>	<b>1,200,000</b>	<b>9,647,660</b>
<b>Net assets, end of year</b>	<b>\$ 6,489,605</b>	<b>\$ 1,843,442</b>	<b>\$ 1,200,000</b>	<b>\$ 9,533,047</b>

# American Academy of Religion, Inc. & Subsidiaries

## Consolidated Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and other support</b>				
Membership dues	\$ 933,326	\$ -	\$ -	\$ 933,326
Regional and annual meeting registration and exhibits	1,480,384	-	-	1,480,384
Employment information services	95,569	-	-	95,569
Grant revenue	-	578,000	-	578,000
Label sales	38,735	-	-	38,735
Royalties	11,270	1,828	-	13,098
Publications	65,110	-	-	65,110
Contributions and gifts in kind	83,857	1,810	-	85,667
Luce Center rental income	130,396	-	-	130,396
Interest and dividends	73,381	36,562	-	109,943
Miscellaneous	7,336	-	-	7,336
Net assets released from restrictions	81,318	(81,318)	-	-
<b>Total revenues and other support</b>	<b>3,000,682</b>	<b>536,882</b>	<b>-</b>	<b>3,537,564</b>
<b>Expenses</b>				
<b>Program</b>				
Research and publications	132,798	-	-	132,798
Member services	790,744	-	-	790,744
Professional development services	114,610	-	-	114,610
External relations	136,612	-	-	136,612
Regional and annual meeting	1,068,490	-	-	1,068,490
<b>Total program expenses</b>	<b>2,243,254</b>	<b>-</b>	<b>-</b>	<b>2,243,254</b>
Luce Center expenses	154,448	-	-	154,448
General and administrative	181,678	-	-	181,678
Fundraising	32,931	-	-	32,931
<b>Total expenses</b>	<b>2,612,311</b>	<b>-</b>	<b>-</b>	<b>2,612,311</b>
<b>Increase (decrease) in net assets</b>				
<b>before depreciation and amortization</b>				
<b>and investment losses</b>	388,371	536,882	-	925,253
<b>Depreciation</b>	(265,470)	-	-	(265,470)
<b>Investment gains (realized and unrealized)</b>	34,138	22,308	-	56,446
<b>Increase in net assets</b>	<b>157,039</b>	<b>559,190</b>	<b>-</b>	<b>716,229</b>
<b>Net assets, beginning of year</b>	<b>6,483,454</b>	<b>1,247,977</b>	<b>1,200,000</b>	<b>8,931,431</b>
<b>Net assets, end of year</b>	<b>\$ 6,640,493</b>	<b>\$ 1,807,167</b>	<b>\$ 1,200,000</b>	<b>\$ 9,647,660</b>

The accompanying notes are an integral part of these consolidated financial statements.

# American Academy of Religion, Inc. & Subsidiaries

## Consolidated Statements of Cash Flows For the Years Ended June 30, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities</b>		
(Decrease) increase in net assets	\$ (114,613)	\$ 716,229
<b>Reconciliation of (decrease) increase in net assets to net cash provided by operating activities</b>		
Depreciation	185,297	265,470
Investment losses (gains)	132,095	(56,446)
Changes in assets and liabilities:		
Accounts receivable	164,159	(156,574)
Grant receivable	289,000	(289,000)
Related party receivable	(2,644)	19,004
Prepaid expenses	(25,933)	15,028
Accounts payable and accrued expenses	34,506	(26,865)
Related party payable	149,629	3,450
Accrued vacation	11,039	654
Deferred revenue	6,684	54,681
<b>Net cash provided by operating activities</b>	<b>829,219</b>	<b>545,631</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(5,385)	(52,861)
Additions to work in process - software development	(176,459)	(99,486)
Proceeds from sale of marketable securities	3,682,831	4,436,501
Purchase of marketable securities	(3,569,411)	(4,264,008)
<b>Net cash (used) provided by investing activities</b>	<b>(68,424)</b>	<b>20,146</b>
<b>Cash flows from financing activities</b>		
Repayments of line of credit	(112,500)	(93,750)
<b>Net cash used in financing activities</b>	<b>(112,500)</b>	<b>(93,750)</b>
<b>Net increase in cash in banks</b>	<b>648,295</b>	<b>472,027</b>
<b>Cash in banks at beginning of year</b>	<b>957,897</b>	<b>485,870</b>
<b>Cash in banks at end of year</b>	<b>\$ 1,606,192</b>	<b>\$ 957,897</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	\$ 3,108	\$ 6,095
Write-off of fully depreciated furniture and software no longer in use	\$ 18,759	\$ -

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

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### 1. Nature of Operations and Summary of Significant Accounting Policies

The American Academy of Religion, Inc. (the Academy) is a nonprofit organization established to promote the study of religion and to provide a forum for the interchange of scholarly works for the benefit of its members. Membership in the Academy is composed of scholars and students who share an interest in this field and who support the work of the Academy on behalf of the scholarly study and teaching of religion.

The accompanying consolidated financial statements include ten regions (Regions) of the Academy that were acquired by the Academy as of July 1, 2011 (collectively the Academy). The Regions are nonprofit organizations which support the work of the Academy at a regional level. The fair value of the Regions' net assets at the acquisition date was \$74,492 composed entirely of unrestricted cash.

#### Principles of Consolidation

The consolidated financial statements include the Academy and the Regions as of and for the years ended June 30, 2016 and 2015. All significant intercompany transactions have been eliminated in the presentation of these consolidated financial statements.

#### Basis of Accounting

The consolidated financial statements of the Academy have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

The Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, or permanently restricted, based on stipulations made by the donors. These three classifications are defined as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations, including board designated endowments.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Academy and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that will be maintained permanently by the Academy. Generally, the donors of these assets permit the Academy to use all or part of the income earned on related investments for general or specific purposes.



# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

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### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash in Banks

The Academy maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash balances may exceed FDIC insured limits.

### Marketable Securities

Investments are reported at fair value. The fair value of mutual funds and equity securities are based on quoted market prices for the identical asset in an active market that the Academy has the ability to access. Purchase and sales of securities are recorded on a trade-date basis.

### Receivables

Receivables are primarily for advertising and rental of exhibit booths for the annual meeting and are recorded at the amount of cash estimated as realizable. The Academy provides reserves for uncollectible accounts when accounts are deemed uncollectible. At June 30, 2016 and 2015, accounts receivable are net of an allowance for doubtful accounts of \$5,500 and \$4,990, respectively.

### Furniture and Software

Furniture and software are recorded at cost. Depreciation is recorded using the straight-line method over estimated useful lives ranging from three to seven years. The Academy's policy is to capitalize furniture and software additions exceeding \$1,000.

### Luce Center

As of June 30, 2001, the Academy and the Society of Biblical Literature (SBL) entered into a tenancy in common agreement in order to accept certain contributed assets from Scholars Press known as the Luce Center. As stated in the agreement, the Academy and SBL each own 50% of the Luce Center, and accordingly, the Academy has recorded their respective share in accordance with the agreement.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

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### **Work in Process – Software Development**

Certain software development costs capitalized during fiscal year 2016 relate to additions yet to be placed in service. No provision for depreciation is made on work in progress until such time as the project is completed and put into use.

### **Revenue Recognition**

Unconditional contributions are recognized as support to the Academy in the period in which the pledge is made, which is generally when received. Contributions with donor-imposed restrictions are classified as temporarily restricted or permanently restricted contributions according to the donor stipulations.

Unconditional promises to give that are expected to be collected in more than one year are recorded as revenues at net realizable value.

Contributions with donor-imposed restrictions that have been spent in the same year have been recorded as unrestricted contributions. Membership dues and annual meeting registration are recorded in the period earned.

The Academy earns revenue for advertising employment opportunities for credentialed scholars in religion at various institutions. Revenue is recognized when received which is not materially different than when earned.

The Academy receives contributed goods and services from other organizations, the fair value of which is recorded in the financial statements as revenue and expense in the period received.

### **Deferred Revenue**

Membership fees and subscriptions received from the Academy's members for future years' dues and subscriptions and monies received in advance for Annual Meetings are deferred and recognized as revenue in the period to which they relate.

### **Shipping and Handling Costs**

The Academy reports shipping and handling fees charged to members as part of membership dues and the associated expense as part of functional expenses.

### **Income Taxes**

The Academy is classified as a Section 501(c)(3) publicly supported charity under the Internal Revenue Code. The Academy is generally exempt from income taxes on activities related to its exempt purpose. Accordingly, no provision for Federal and state income taxes is required.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

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Management of the Academy considers the likelihood of changes by taxing authorities in its income tax returns and would recognize a liability for or disclose potential significant changes that management believes are more likely than not to occur, including changes to the Academy's status as a not-for-profit entity. Management believes the Academy met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. The Academy's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

### Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 8, 2017, which is the date the financial statements were available to be issued.

## 2. Marketable Securities

Generally accepted accounting principles (GAAP) establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are those that market participants would use in measuring investments at fair value based on market data obtained from sources independent of the Academy. Unobservable inputs reflect the Academy's assumptions about the inputs market participants would use in measuring investments at fair value based on the best information available in the circumstances. Investments are measured and disclosed in one of the three levels based on the reliability of inputs:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Other observable data, including quoted market prices for similar assets in inactive markets.

Level 3 – Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstance and may require significant management judgment or estimation.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

Fair value is based on quoted prices available for identical securities in active markets that the Academy has the ability to access. This is a Level 1 category as established by generally accepted accounting principles. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the volatility related to changes in the value of investment securities, it is at least reasonably possible that changes in market values in the near term would affect the amounts reported in the accompanying financial statements.

In fiscal year 2014, the Board began to utilize SunTrust Bank investment guidelines for growth with income. These guidelines allocate investments to equities from 50%-80%, to fixed income 20%-40%, cash 0%-10%, and non-traditional at 0%-30%.

The Board of Directors had previously established investment portfolio guidelines that allocate 10%-50% of the market value of the portfolio to fixed income and bond securities and 25%-70% of the market value to equity securities and alternative investments.

The Academy held investments at June 30, 2016 and 2015 as follows:

	2016	2015
Mutual Funds:		
Money Market	\$ 187,103	\$ 168,182
Fixed Income/Bond Funds	1,802,709	1,790,938
Blended Funds	10,222	14,667
Emerging Markets	262,383	306,595
Foreign Funds	809,824	959,645
Total Mutual Funds	3,072,241	3,240,027
Equities:		
Energy	289,239	294,047
Materials	149,271	205,814
Industrials	425,849	416,211
Consumer Discretionary	535,445	530,986
Consumer Staples	403,818	370,713
Health Care	621,642	674,495
Financials	694,377	854,922
Information Technology	794,527	705,919
Telecommunication Services	59,879	47,761
Utilities	154,488	123,600
Total Equities	4,128,535	4,224,468
Total Marketable Securities	\$ 7,200,776	\$ 7,464,495

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

Total investment return was allocated to the following categories of net assets:

	2016		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 81,688	\$ 46,849	\$ 128,537
Realized gains	30,744	10,009	40,753
Unrealized losses	(125,172)	(47,676)	(172,848)
	<u>\$ (12,740)</u>	<u>\$ 9,182</u>	<u>\$ (3,558)</u>

	2015		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 73,381	\$ 36,562	\$ 109,943
Realized gains	131,953	43,803	175,756
Unrealized gains	(97,815)	(21,495)	(119,310)
	<u>\$ 107,519</u>	<u>\$ 58,870</u>	<u>\$ 166,389</u>

### 3. Luce Center

Summarized financial information for the years ended June 30, 2016 and 2015 for the Luce Center assets is as follows:

	2016	
	Luce Center	American Academy of Religion's Share
Building	\$ 4,839,216	\$ 2,419,608
Furniture	43,452	21,726
Leasehold interest in land	165,000	82,500
Accumulated depreciation	(2,199,330)	(1,099,665)
Restricted investments, at fair value	1,062,738	531,369
<b>Share of Luce Center</b>	<b>\$ 3,911,076</b>	<b>\$ 1,955,538</b>

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

	2015	
	Luce Center	American Academy of Religion's Share
Building	\$ 4,839,216	\$ 2,419,608
Furniture	43,452	21,726
Leasehold interest in land	165,000	82,500
Accumulated depreciation	(2,058,208)	(1,029,104)
Restricted investments, at fair value	1,038,074	519,037
Share of Luce Center	\$ 4,027,534	\$ 2,013,767

The Academy's share of restricted investments at June 30, 2016 and 2015 consist of the following:

	2016	2015
TIAA-CREF Bond Plus Fund	\$ 88,493	\$ 84,087
TIAA-CREF Social Choice Equity Fund	199,237	195,640
TIAA-CREF Equity Index Fund	243,639	239,310
Total	\$ 531,369	\$ 519,037

#### 4. Furniture and Software

	2016	2015
Furniture	\$ 75,739	\$ 75,040
Software	785,845	684,561
	861,584	759,601
Accumulated depreciation	(680,251)	(584,273)
	\$ 181,333	\$ 175,328

Depreciation expense was \$185,297 and \$265,470 for the years ended June 30, 2016 and 2015, respectively, of which \$70,560 and \$69,956, respectively relates to the Luce Center fixed assets.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

### 5. Line of Credit

The Academy entered into a revolving line of credit with a financial institution in the amount of \$250,000. Outstanding borrowings under the line of credit carry interest at the London Interbank Offered Rate (LIBOR) plus 2.25% with a floor of 3.0%. The interest rate was 3.0% at June 30, 2016 and 2015. Payments of monthly interest only are required until terminated. Certain investment accounts of the Academy are pledged as collateral. Interest paid on this borrowing was \$3,108 and \$6,095 in fiscal years 2016 and 2015, respectively. Additionally, the Academy made payments on the line of credit totaling \$112,500 during fiscal year 2016. Subsequent to year-end, the line of credit was repaid in full and there have been no additional borrowings on the line of credit.

### 6. Temporarily Restricted Net Assets

Activity for temporarily restricted net assets, including those released from restriction, for the years ended June 30, 2016 and 2015 is as follows:

	Balance at June 30, 2014	Additions	Net Assets Released From Restrictions	Balance at June 30, 2015	Additions	Net Assets Released From Restrictions	Balance at June 30, 2016
<b>Funds functioning as endowment:</b>							
Research grants	\$ 360,318	\$ 14,560	\$ (30,950)	\$ 343,928	\$ (1,252)	\$ (34,449)	\$ 308,227
Publications	256,441	11,601	(25,735)	242,307	(1,015)	(27,300)	213,992
Annual meeting speakers	94,205	3,696	(8,448)	89,453	(366)	(8,802)	80,285
Share of Luce Center endowment earnings	246,095	22,941	-	269,036	12,333	-	281,369
Raj endowment earnings	33,551	2,543	(5,000)	31,094	(222)	-	30,872
<b>Total funds functioning as endowment</b>	<b>990,610</b>	<b>55,341</b>	<b>(70,133)</b>	<b>975,818</b>	<b>9,478</b>	<b>(70,551)</b>	<b>914,745</b>
<b>Other temporarily restricted net assets:</b>							
<b>Time and purpose restricted</b>							
Luce Religious Pluralism Grant	58,693	-	(587)	58,106	-	-	58,106
Luce Fellowships in Religion and International Affairs Grant	-	578,000	(3,650)	574,350	-	(63,814)	510,536
<b>Purpose Restricted</b>							
Lilly Strengthening College and University Religion and Theology	9,613	-	-	9,613	-	-	9,613
Guide Star for Undergraduate Religions Literacy	-	-	-	-	160,000	(1,172)	158,828
American Lecture in History of Religions	181,615	5,357	(5,587)	181,385	177	(145)	181,417
Teagle Foundation	977	-	974	1,951	-	125	2,076
Travel Grants	-	1,810	-	1,810	4,620	(6,060)	370
Religion and Ecology	4,734	-	(1,500)	3,234	5,000	(1,383)	6,851
Student annual meeting scholarship	835	-	(835)	-	-	-	-
Hinduism Unit	900	-	-	900	-	-	900
<b>Total</b>	<b>\$1,247,977</b>	<b>\$640,508</b>	<b>\$ (81,318)</b>	<b>\$1,807,167</b>	<b>\$179,275</b>	<b>\$(143,000)</b>	<b>\$1,843,442</b>

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

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### 7. Permanently Restricted Net Assets and Endowments

The Academy has certain endowments that have been donated over the years to provide income for the operations of the Academy, meetings, and other purposes. The principal amounts of the initial gifts have been presented as permanently restricted net assets in the accompanying statements of financial position. The cumulative amount of the net appreciation on the valuation of the investments since the initial gift dates has been included in either unrestricted or temporarily restricted net assets in the accompanying statements of financial position according to whether any donor-imposed restrictions were specified at the time of donation. The net assets associated with the endowment funds are classified and reported based on the existence or absence of donor restrictions.

The Academy has interpreted the “Uniform Prudent Management of Institutional Funds Act” (UPMIFA), as adopted by the State of Georgia, as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Academy classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Academy in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Academy considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Academy and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of the Academy
- (7) The investment policies of the Academy.

When the Academy designates unrestricted funds to function as endowments, they are classified as unrestricted net assets.

### Relationship of Spending Policy to Investment Objectives

The Board of Directors has determined that no more than five percent of a three-year average of the market value of the endowment portion of marketable securities may be transferred to temporarily restricted funds in any given year. The market value is determined as of the last day of December. Any remaining gains and losses, after the transfer, are considered additions or reductions in the principal amount of the endowment fund and are reported as increases or



# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

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decreases in temporarily restricted net assets. For the years ended June 30, 2016 and 2015, the total amount of income and gains transferred was \$70,551 and \$70,133, respectively.

The following table presents the Academy's endowment composition, changes, and net asset classifications as of and for the years ended June 30, 2016 and 2015:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	\$ 990,610	\$ 1,200,000	\$ 2,190,610
Investment gain	55,340	-	55,340
Releases from restriction	(70,133)	-	(70,133)
Endowment net assets, June 30, 2015	975,817	1,200,000	2,175,817
Investment gain	9,480	-	9,480
Releases from restriction	(70,551)	-	(70,551)
<b>Endowment net assets June 30, 2016</b>	<b>\$ 914,746</b>	<b>\$ 1,200,000</b>	<b>\$ 2,114,746</b>

### Return Objectives and Risk Parameters

The Academy has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets.

### Permanently Restricted Net Assets

The nature of the permanently restricted net asset endowments balance at June 30, 2016 and 2015 is summarized as follows:

	2016	2015
Grants	\$ 500,000	\$ 500,000
Publications	350,000	350,000
Annual meeting speakers	100,000	100,000
Luce Center endowment corpus	250,000	250,000
<b>Total</b>	<b>\$ 1,200,000</b>	<b>\$ 1,200,000</b>

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### 8. Related Party Transactions

The Academy was a sponsor of Scholars Press, a nonprofit organization that provided publishing, membership and subscription processing, and accounting services to the Academy and other sponsoring nonprofit organizations. Scholars Press distributed books and periodicals on behalf of sponsors primarily through mail order sales to sponsors' members, as well as to libraries and universities. The Academy also published a quarterly journal, the *Journal of the American Academy of Religion* with the assistance of Scholars Press.

During the fiscal year ended June 30, 2001, Scholars Press terminated its operations and began liquidating its assets and settling all its liabilities. Accordingly, the Academy began either performing these services internally or outsourcing these services to unrelated third parties.

As of June 30, 2001, the Academy and SBL entered into a joint tenancy in common agreement in order to accept certain contributed assets and liabilities from Scholars Press. The agreement stipulated that the net book value of the building at that time of \$4,028,296, net of accumulated depreciation of \$342,569, the related building endowment fund, including accumulated earnings of \$593,085 and the related building debt of \$441,666 be shared equally between the two owners. A building account was opened, and all revenues and expenses related to the building are recorded in this account. The two owners pay sixty cents per square foot per month. All net revenues or expenses are shared equally by the two owners. On May 4, 2015, a new agreement was signed by the Academy and SBL to increase rent to eighty-four cents per square foot per month to cover the time period July 1, 2015 through June 30, 2016, at which time a new agreement will be written and agreed-upon by both the Academy and SBL.

As of April 1, 2014, the Academy and SBL entered into an agreement to lease several rooms in the Luce Center Building to Emory University. The initial term of the lease is from April 1, 2014 through March 31, 2017, at which time Emory University will have the option to renew the lease for an additional year under the same terms and conditions. The initial rent is set at \$8,448 per month and will increase approximately 3% during years two and three, respectively. Rent proceeds will be split evenly between the Academy and SBL. The Academy received \$56,955 and \$57,509 during 2016 and 2015, respectively, for their share of rent proceeds from Emory University.

The Academy's share of rental income was \$132,619 and \$130,396 and direct expenses were \$144,024 and \$131,977 for the years ended June 30, 2016 and 2015, respectively.

The Academy reimburses Emory University for salaries and benefits paid to its employees, as well as expenses for ground maintenance of its leased property. The Academy had a payable of \$263,356 and \$113,688 recorded at June 30, 2016 and 2015, respectively, related to these services included in the consolidated statements of financial position.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

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The property is subject to a ground lease with Emory University. This ground lease has a thirty-year term, expiring in March 2027, with two ten-year extension options available. Scholars Press paid \$30 in advance for the first thirty-year term of the lease. The value of this lease has been estimated by management to be approximately \$3,300 per year for the entire property (see Note 3).

During fiscal year 2012, the Academy began development and implementation of a software product to replace the Academy's current software. An application of this software, the Employment Center, will be used by both SBL and ARR. As such, expenses related to this part of the project are being divided evenly between the Academy and SBL.

### 9. Retirement Plan

The Academy participates in a defined contribution retirement plan administered through Emory University. Currently, the Academy contributes six percent of each eligible employee's annual regular salary to the plan. Additionally, if the employee also chooses to make a contribution which is based on a percentage of annual regular salary the Academy matches those contributions at the following rates:

<u>Employee Contributes</u>	<u>Academy Matches With</u>
1%	1.5%
2%	3%

The maximum contribution made by the Academy on behalf of an employee is nine percent. Total retirement plan expense for the years ended June 30, 2016 and 2015 was approximately \$91,000 and \$84,000.

### 10. Hotel Contracts

The Academy reserves hotel space for its annual meetings several years in advance. The contracts stipulate the number of rooms to be reserved and the time period for which they are to be reserved. As of June 30, 2016, contracts for hotel space had been entered into through 2031. While the rooms will ultimately be paid for by members of the Academy, the Academy has guaranteed the rooms in advance to ensure availability. In the event the annual meetings are cancelled, or minimum percentages of reserved rooms are not used by members or minimum food and beverage charges are not incurred, the Academy may be liable for a cancellation fee. However, due to the numerous variables involved, the Academy's ultimate liability under these contracts cannot be determined, but would not be expected to have a significant impact on the financial position, results of operations or cash flows of the Academy.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2016 and 2015

### 11. Functional Expenses

The functional expenses for the year ended June 30, 2016 are:

	Research and Publications	Member Services	Professional Development Services	External Relations	Regional and Annual Meeting	Luce Center Expenses	General and Administrative	Fundraising	Total
Salaries and wages	\$ 114,017	\$ 343,838	\$ 37,850	\$ 123,776	\$ 188,450	\$ 21,305	\$ 187,461	\$ 15,020	\$ 1,031,717
Payroll taxes and benefits	29,283	88,461	9,721	31,789	48,400	5,528	48,146	3,858	265,186
Staff development	877	2,944	291	952	1,853	97	1,441	640	9,095
Temporary help	(269)	(371)	2,909	(188)	15,012	(17)	(375)	(15)	16,686
<b>Total personnel</b>	<b>143,908</b>	<b>434,872</b>	<b>50,771</b>	<b>156,329</b>	<b>253,715</b>	<b>26,913</b>	<b>236,673</b>	<b>19,503</b>	<b>1,322,684</b>
Advertising and promotion	-	2,951	-	405	1,922	-	-	-	5,278
Conferences and meetings	5,050	120,088	24,696	3,633	51,110	66	1,453	2,128	208,224
Dues and subscriptions	672	5,857	367	7,827	1,306	42	938	437	17,446
Equipment rental and maintenance	6,999	39,016	3,399	4,879	70,053	5,614	9,758	400	140,118
Grants and subventions	35,800	67,338	6,099	3,157	21,160	9	199	8	133,770
Insurance	1,145	4,666	556	798	6,109	4,048	1,597	65	18,984
Occupancy	6,373	25,967	3,096	4,443	18,353	107,406	8,886	364	174,888
Postage and shipping	444	5,728	598	290	12,063	24	528	22	19,697
Printing and publications	26,152	4,198	211	268	25,617	21	473	19	56,959
Professional fees	5,398	27,824	3,929	4,764	286,055	439	7,527	308	336,244
Service charges and fees	11,819	66,964	4,815	6,886	68,941	3,074	13,773	564	176,836
Supplies	917	3,758	935	762	1,782	2,417	1,279	52	11,902
Telephone	811	3,585	449	671	1,764	1,462	1,124	46	9,912
Travel and meeting expense	10,546	39,712	20,787	12,148	54,842	239	5,312	303	143,889
Other	618	5,085	547	187	2,669	333	3,485	17	12,941
<b>Total expenses</b>	<b>\$ 256,652</b>	<b>\$ 857,609</b>	<b>\$ 121,255</b>	<b>\$ 207,447</b>	<b>\$ 877,461</b>	<b>\$ 152,107</b>	<b>\$ 293,005</b>	<b>\$ 24,236</b>	<b>\$ 2,789,772</b>

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2016 and 2015

The functional expenses for the year ended June 30, 2015 are:

	Research and Publications	Member Services	Professional Development Services	External Relations	Regional and Annual Meeting	Luce Center Expenses	General and Administrative	Fundraising	Total
Salaries and wages	\$ 45,797	\$ 362,966	\$ 55,453	\$ 77,129	\$ 258,521	\$ 30,661	\$ 87,409	\$ 20,675	\$ 938,611
Payroll taxes and benefits	11,747	93,130	14,224	19,784	66,311	7,952	22,420	5,303	240,871
Staff development	342	4,060	414	576	2,091	173	653	154	8,463
Temporary help	485	5,181	640	530	17,966	121	2,075	178	27,176
<b>Total personnel</b>	<b>58,371</b>	<b>465,337</b>	<b>70,731</b>	<b>98,019</b>	<b>344,889</b>	<b>38,907</b>	<b>112,557</b>	<b>26,310</b>	<b>1,215,121</b>
Advertising and promotion	-	255	-	1,055	496	-	-	-	1,806
Conferences and meetings	3,570	67,518	14,148	2,572	96,864	42	726	1,276	186,716
Dues and subscriptions	463	8,606	611	506	3,123	116	1,983	170	15,578
Equipment rental and maintenance	2,188	47,627	2,889	4,054	59,854	5,707	9,369	804	132,492
Grants and subventions	36,748	42,247	6,870	3,289	5,767	53	904	78	95,956
Insurance	430	4,728	568	471	7,157	4,214	1,842	158	19,568
Occupancy	2,314	24,733	3,056	2,534	22,869	94,561	9,908	850	160,825
Postage and shipping	176	9,661	524	64	13,238	15	251	22	23,951
Printing and publications	15,208	4,998	248	3,980	29,731	45	778	67	55,055
Professional fees	1,213	19,547	2,206	1,326	359,075	1,854	5,192	445	390,858
Service charges and fees	8,432	62,878	7,197	5,962	68,458	3,562	23,337	2,002	181,828
Supplies	324	3,892	601	388	2,262	3,033	1,387	119	12,006
Telephone	314	3,805	862	364	2,606	1,464	1,342	115	10,872
Travel and meeting expense	2,843	19,979	3,810	11,781	50,088	300	5,133	440	94,374
Other	204	4,933	289	247	2,013	575	6,969	75	15,305
<b>Total expenses</b>	<b>\$ 132,798</b>	<b>\$ 790,744</b>	<b>\$ 114,610</b>	<b>\$ 136,612</b>	<b>\$ 1,068,490</b>	<b>\$ 154,448</b>	<b>\$ 181,678</b>	<b>\$ 32,931</b>	<b>\$ 2,612,311</b>