

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

**Consolidated Financial Statements**  
June 30, 2017 and 2016

# American Academy of Religion, Inc. & Subsidiaries

## Table of Contents June 30, 2017 and 2016

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|   |   |
|---|---|
| <b>Independent Auditor's Report</b>                             | 1 |
| <b>Consolidated Financial Statements</b>                        |   |
| Consolidated Statements of Financial Position                   | 2 |
| Consolidated Statements of Activities and Changes in Net Assets | 3 |
| Consolidated Statements of Cash Flows                           | 5 |
| Notes to Consolidated Financial Statements                      | 6 |



## **INDEPENDENT AUDITOR'S REPORT**

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

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, 2017 and 2016, 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, 2017 and 2016, the activities and 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.*

November 6, 2017

Certified Public Accountants

# American Academy of Religion, Inc. & Subsidiaries

## Consolidated Statements of Financial Position June 30, 2017 and 2016

|  | 2017                 | 2016                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Cash in banks  | \$ 1,168,355         | \$ 1,606,192         |
| Accounts receivable, net of allowance for doubtful accounts  | 79,072               | 55,514               |
| Related party receivable                                     | 4,627                | 5,482                |
| Prepaid expenses and other assets                            | 60,354               | 52,310               |
| Furniture and software, net of accumulated depreciation      | 222,260              | 181,333              |
| Work in process - software development                       | 101,397              | 166,461              |
| Share of Luce Center assets, net of accumulated depreciation | 1,976,707            | 1,955,538            |
| Marketable securities  | 7,765,716            | 7,200,776            |
| <b>Total assets</b>  | <b>\$ 11,378,488</b> | <b>\$ 11,223,606</b> |
| <b>Liabilities and net assets</b>                            |                      |                      |
| Line of credit   | \$ -                 | \$ 18,750            |
| Accounts payable and accrued expenses                        | 80,599               | 98,988               |
| Related party payable  | 121,200              | 263,541              |
| Accrued vacation   | 99,586               | 109,392              |
| Deferred revenue - membership                                | 392,475              | 417,229              |
| Deferred revenue - annual meeting                            | 864,361              | 782,659              |
| <b>Total liabilities</b>                                     | <b>1,558,221</b>     | <b>1,690,559</b>     |
| <b>Net assets</b>  |                      |                      |
| Unrestricted   | 6,864,099            | 6,489,605            |
| Temporarily restricted                                       | 1,756,168            | 1,843,442            |
| Permanently restricted                                       | 1,200,000            | 1,200,000            |
| <b>Total net assets</b>                                      | <b>9,820,267</b>     | <b>9,533,047</b>     |
| <b>Total liabilities and net assets</b>                      | <b>\$ 11,378,488</b> | <b>\$ 11,223,606</b> |

# American Academy of Religion, Inc. & Subsidiaries

## Consolidated Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2017

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---|---------------------|---------------------------|---------------------------|---------------------|
| <b>Revenues and other support</b>   |                     |                           |                           |                     |
| Membership dues   | \$ 878,314          | \$ -                      | \$ -                      | \$ 878,314          |
| Regional and annual meeting registration and exhibits                                 | 1,397,900           | -                         | -                         | 1,397,900           |
| Employment information services   | 78,331              | -                         | -                         | 78,331              |
| Label sales   | 24,541              | -                         | -                         | 24,541              |
| Royalties   | 6,614               | -                         | -                         | 6,614               |
| Publications  | 42,247              | -                         | -                         | 42,247              |
| Contributions and gifts in kind   | 89,123              | 3,885                     | -                         | 93,008              |
| Luce Center rental income   | 134,791             | -                         | -                         | 134,791             |
| Interest and dividends  | 89,277              | 52,007                    | -                         | 141,284             |
| Miscellaneous   | 4,765               | -                         | -                         | 4,765               |
| Net assets released from restrictions   | 358,439             | (358,439)                 | -                         | -                   |
| <b>Total revenues and other support</b>   | <b>3,104,342</b>    | <b>(302,547)</b>          | <b>-</b>                  | <b>2,801,795</b>    |
| <b>Expenses</b>   |                     |                           |                           |                     |
| <b>Program</b>  |                     |                           |                           |                     |
| Research and publications   | 258,501             | -                         | -                         | 258,501             |
| Member services   | 662,860             | -                         | -                         | 662,860             |
| Professional development services   | 153,526             | -                         | -                         | 153,526             |
| External relations  | 450,870             | -                         | -                         | 450,870             |
| Regional and annual meeting   | 929,836             | -                         | -                         | 929,836             |
| <b>Total program expenses</b>   | <b>2,455,593</b>    | <b>-</b>                  | <b>-</b>                  | <b>2,455,593</b>    |
| Luce Center expenses  | 156,432             | -                         | -                         | 156,432             |
| General and administrative  | 332,195             | -                         | -                         | 332,195             |
| Fundraising   | 33,687              | -                         | -                         | 33,687              |
| <b>Total expenses</b>   | <b>2,977,907</b>    | <b>-</b>                  | <b>-</b>                  | <b>2,977,907</b>    |
| <b>Increase (decrease) in net assets before<br/>depreciation and investment gains</b> | <b>126,435</b>      | <b>(302,547)</b>          | <b>-</b>                  | <b>(176,112)</b>    |
| <b>Depreciation</b>   | <b>(245,553)</b>    | <b>-</b>                  | <b>-</b>                  | <b>(245,553)</b>    |
| <b>Investment gains (realized and unrealized)</b>                                     | <b>493,612</b>      | <b>215,273</b>            | <b>-</b>                  | <b>708,885</b>      |
| <b>Increase (decrease) in net assets</b>  | <b>374,494</b>      | <b>(87,274)</b>           | <b>-</b>                  | <b>287,220</b>      |
| <b>Net assets, beginning of year</b>  | <b>6,489,605</b>    | <b>1,843,442</b>          | <b>1,200,000</b>          | <b>9,533,047</b>    |
| <b>Net assets, end of year</b>  | <b>\$ 6,864,099</b> | <b>\$ 1,756,168</b>       | <b>\$ 1,200,000</b>       | <b>\$ 9,820,267</b> |

# American Academy of Religion, Inc. & Subsidiaries

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

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>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<br/>depreciation and investment losses</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>(Decrease) 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> |

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, 2017 and 2016

|   | 2017                | 2016                |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities</b>   |                     |                     |
| <b>Increase (decrease) in net assets</b>  | <b>\$ 287,220</b>   | <b>\$ (114,613)</b> |
| <b>Reconciliation of increase (decrease) in net assets to net cash (used in) provided by operating activities</b> |                     |                     |
| Depreciation  | 245,553             | 185,297             |
| Investment (gains) losses   | (708,885)           | 132,095             |
| Changes in assets and liabilities:  |                     |                     |
| Accounts receivable   | (23,558)            | 164,159             |
| Grant receivable  | -                   | 289,000             |
| Related party receivable  | 855                 | (2,644)             |
| Prepaid expenses  | (8,044)             | (25,933)            |
| Accounts payable and accrued expenses   | (18,389)            | 34,506              |
| Related party payable   | (142,341)           | 149,629             |
| Accrued vacation  | (9,806)             | 11,039              |
| Deferred revenue  | 56,948              | 6,684               |
| <b>Net cash (used in) provided by operating activities</b>  | <b>(320,447)</b>    | <b>829,219</b>      |
| <b>Cash flows from investing activities</b>   |                     |                     |
| Acquisition of property and equipment   | (18,903)            | (5,385)             |
| Additions to work in process - software development   | (134,956)           | (176,459)           |
| Proceeds from sale of marketable securities   | 4,274,858           | 3,682,831           |
| Purchase of marketable securities   | (4,219,639)         | (3,569,411)         |
| <b>Net cash used in investing activities</b>  | <b>(98,640)</b>     | <b>(68,424)</b>     |
| <b>Cash flows from financing activities</b>   |                     |                     |
| Repayments of line of credit  | (18,750)            | (112,500)           |
| <b>Net cash used in financing activities</b>  | <b>(18,750)</b>     | <b>(112,500)</b>    |
| <b>Net (decrease) increase in cash in banks</b>   | <b>(437,837)</b>    | <b>648,295</b>      |
| <b>Cash in banks at beginning of year</b>   | <b>1,606,192</b>    | <b>957,897</b>      |
| <b>Cash in banks at end of year</b>   | <b>\$ 1,168,355</b> | <b>\$ 1,606,192</b> |
| <b>Supplemental disclosure of cash flow information</b>   |                     |                     |
| Cash paid during the year for interest  | \$ 1,537            | \$ 3,108            |
| Write-off of fully depreciated furniture and software no longer in use  | \$ 6,276            | \$ 18,759           |

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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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.

#### Principles of Consolidation

The consolidated financial statements include the Academy and the Regions as of and for the years ended June 30, 2017 and 2016. 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, 2017 and 2016

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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. See Note 2 for a discussion of fair value measurements.

### 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, 2017 and 2016, accounts receivable are net of an allowance for doubtful accounts of \$5,500.

### 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, 2017 and 2016

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

Certain software development costs capitalized during fiscal year 2017 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 for internal purposes.

### **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, 2017 and 2016

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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.

### Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the current year presentation. The effects of the reclassifications are not considered material to the financial statements as a whole.

### 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 November 6, 2017, which is the date the financial statements were available to be issued.

## 2. Marketable Securities

The Financial Accounting Standards Board established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that the Lighthouse has the ability to access

Level 2 – other observable data, including quoted prices for similar assets in inactive markets

Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the Academy, and unobservable inputs reflect the Academy's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Fair value of all of the Academy's investments 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 Academy held investments at June 30, 2017 and 2016 as follows:

|                             | 2017         | 2016         |
|-----------------------------|--------------|--------------|
| Mutual Funds:               |              |              |
| Money Market                | \$ 337,191   | \$ 187,103   |
| Fixed Income/Bond Funds     | 2,048,939    | 1,802,709    |
| Blended Funds               | -            | 10,222       |
| Emerging Markets            | 241,485      | 262,383      |
| Foreign Funds               | 794,331      | 809,824      |
| Total Mutual Funds          | 3,421,946    | 3,072,241    |
| Equities:                   |              |              |
| Energy                      | 230,730      | 289,239      |
| Materials                   | 184,112      | 149,271      |
| Industrials                 | 489,525      | 425,849      |
| Consumer Discretionary      | 540,489      | 535,445      |
| Consumer Staples            | 364,639      | 403,818      |
| Health Care                 | 732,869      | 621,642      |
| Financials                  | 801,322      | 694,377      |
| Information Technology      | 763,259      | 794,527      |
| Telecommunication Services  | 70,656       | 59,879       |
| Utilities                   | 166,169      | 154,488      |
| Total Equities              | 4,343,770    | 4,128,535    |
| Total Marketable Securities | \$ 7,765,716 | \$ 7,200,776 |

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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

|                        | 2017              |                           |                   |
|------------------------|-------------------|---------------------------|-------------------|
|                        | Unrestricted      | Temporarily<br>Restricted | Total             |
| Interest and dividends | \$ 89,277         | \$ 52,007                 | \$ 141,284        |
| Realized gains         | 76,503            | 24,182                    | 100,685           |
| Unrealized gains       | 417,109           | 191,091                   | 608,200           |
|                        | <u>\$ 582,889</u> | <u>\$ 267,280</u>         | <u>\$ 850,169</u> |

  

|                        | 2016               |                           |                   |
|------------------------|--------------------|---------------------------|-------------------|
|                        | Unrestricted       | Temporarily<br>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> |

### 3. Luce Center

Summarized financial information for the years ended June 30, 2017 and 2016 for the Luce Center assets is as follows:

|                                       | 2017                |   |
|---------------------------------------|---------------------|---|
|                                       | Luce Center         | American<br>Academy of<br>Religion's<br>Share |
| Building                              | \$ 4,851,412        | \$ 2,425,706                                  |
| Furniture                             | 49,150              | 24,575  |
| Leasehold interest in land            | 165,000             | 82,500  |
| Accumulated depreciation              | (2,340,594)         | (1,170,297)                                   |
| Restricted investments, at fair value | 1,228,446           | 614,223                                       |
| <b>Share of Luce Center</b>           | <u>\$ 3,953,414</u> | <u>\$ 1,976,707</u>                           |

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

|                                       | <u>2016</u>  |                                      |
|---------------------------------------|--------------|--------------------------------------|
|                                       | 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                              |
| Share of Luce Center                  | \$ 3,911,076 | \$ 1,955,538                         |

The Academy's share of restricted investments at June 30, 2017 and 2016 consist of the following:

|                                     | <u>2017</u> | <u>2016</u> |
|-------------------------------------|-------------|-------------|
| TIAA-CREF Bond Plus Fund            | \$ 90,053   | \$ 88,493   |
| TIAA-CREF Social Choice Equity Fund | 236,229     | 199,237     |
| TIAA-CREF Equity Index Fund         | 287,941     | 243,639     |
| Total                               | \$ 614,223  | \$ 531,369  |

#### 4. Furniture and Software

|                          | <u>2017</u> | <u>2016</u> |
|--------------------------|-------------|-------------|
| Furniture                | \$ 85,292   | \$ 75,739   |
| Software                 | 985,864     | 785,845     |
|                          | 1,071,156   | 861,584     |
| Accumulated depreciation | (848,896)   | (680,251)   |
|                          | \$ 222,260  | \$ 181,333  |

Depreciation expense was \$245,553 and \$185,297 for the years ended June 30, 2017 and 2016, respectively, of which \$70,632 and \$70,560, respectively relates to the Luce Center fixed assets.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 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 3.3% and 3.0% at June 30, 2017 and 2016, respectively. 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 \$1,537 and \$3,108 in fiscal years 2017 and 2016, respectively. Additionally, the Academy made payments on the line of credit totaling \$18,750 during fiscal year 2017. During the year ended June 30, 2017, 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, 2017 and 2016 is as follows:

|   | Balance at<br>June 30,<br>2015 | Additions         | Net Assets<br>Released<br>From<br>Restrictions | Balance at<br>June 30,<br>2016 | Additions         | Net Assets<br>Released<br>From<br>Restrictions | Balance at<br>June 30,<br>2017 |
|---|--------------------------------|-------------------|--|--------------------------------|-------------------|--|--------------------------------|
| <b>Funds functioning as endowment:</b>                              |                                |                   |  |                                |                   |  |                                |
| Research grants   | \$ 343,928                     | \$ (1,252)        | \$ (34,449)                                    | \$ 308,227                     | \$ 73,794         | \$ (36,100)                                    | \$ 345,921                     |
| Publications  | 242,307                        | (1,015)           | (27,300)                                       | 213,992                        | 58,938            | (28,750)                                       | 244,180                        |
| Annual meeting speakers   | 89,453                         | (366)             | (8,802)  | 80,285                         | 18,867            | (9,200)  | 89,952                         |
| Share of Luce Center endowment earnings                             | 269,036                        | 12,333            | -  | 281,369                        | 82,854            | -  | 364,223                        |
| Raj endowment earnings  | 31,094                         | (222)             | -  | 30,872                         | 14,234            | (5,000)  | 40,106                         |
| <b>Total funds functioning as endowment</b>                         | <b>975,818</b>                 | <b>9,478</b>      | <b>(70,551)</b>                                | <b>914,745</b>                 | <b>248,687</b>    | <b>(79,050)</b>                                | <b>1,084,382</b>               |
| <b>Other temporarily restricted net assets:</b>                     |                                |                   |  |                                |                   |  |                                |
| <b>Time and purpose restricted</b>                                  |                                |                   |  |                                |                   |  |                                |
| Luce Religious Pluralism Grant                                      | 58,106                         | -                 | -  | 58,106                         | -                 | (58,106)                                       | -                              |
| Luce Fellowships in Religion and International Affairs Grant        | 574,350                        | -                 | (63,814)                                       | 510,536                        | -                 | (151,360)                                      | 359,176                        |
| <b>Purpose Restricted</b>   |                                |                   |  |                                |                   |  |                                |
| Lilly Strengthening College and<br>University Religion and Theology | 9,613                          | -                 | -  | 9,613                          | -                 | -  | 9,613                          |
| Guide Star for Undergraduate Religions Literacy                     | -                              | 160,000           | (1,172)  | 158,828                        | -                 | (53,600)                                       | 105,228                        |
| American Lecture in History of Religions                            | 181,385                        | 177               | (145)  | 181,417                        | 18,593            | (13,120)                                       | 186,890                        |
| Teagle Foundation   | 1,951                          | -                 | 125  | 2,076                          | -                 | -  | 2,076                          |
| Travel Grants   | 1,810                          | 4,620             | (6,060)  | 370                            | 3,885             | (1,650)  | 2,605                          |
| Religion and Ecology  | 3,234                          | -                 | -  | 3,234                          | -                 | -  | 3,234                          |
| Religion and the Arts   | -                              | 5,000             | (1,383)  | 3,617                          | -                 | (1,553)  | 2,064                          |
| Hinduism Unit   | 900                            | -                 | -  | 900                            | -                 | -  | 900                            |
| <b>Total</b>  | <b>\$ 1,807,167</b>            | <b>\$ 179,275</b> | <b>\$ (143,000)</b>                            | <b>\$ 1,843,442</b>            | <b>\$ 271,165</b> | <b>\$ (358,439)</b>                            | <b>\$ 1,756,168</b>            |

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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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

June 30, 2017 and 2016

decreases in temporarily restricted net assets. For the years ended June 30, 2017 and 2016, the total amount of income and gains transferred was \$79,050 and \$70,551, respectively.

The following table presents the Academy's endowment composition, changes, and net asset classifications as of and for the years ended June 30, 2017 and 2016:

|   | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---|---------------------------|---------------------------|---------------------|
| Endowment net assets,<br>June 30, 2015        | \$ 975,817                | \$ 1,200,000              | \$ 2,175,817        |
| Investment gain                               | 9,480                     | -                         | 9,480               |
| Releases from restriction                     | (70,551)                  | -                         | (70,551)            |
| Endowment net assets,<br>June 30, 2016        | 914,746                   | 1,200,000                 | 2,114,746           |
| Investment gain                               | 248,686                   | -                         | 248,686             |
| Releases from restriction                     | (79,050)                  | -                         | (79,050)            |
| <b>Endowment net assets<br/>June 30, 2017</b> | <b>\$ 1,084,382</b>       | <b>\$ 1,200,000</b>       | <b>\$ 2,284,382</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, 2017 and 2016 is summarized as follows:

|                              | 2017                | 2016                |
|------------------------------|---------------------|---------------------|
| 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> |

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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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. On June 30, 2016, the agreement was updated to reduce rent to eighty-three cents per square foot per month through June 30, 2017. On June 30, 2017, the agreement was extended through June 30, 2018 with the same terms.

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, 2018, 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 \$54,182 and \$56,955 during 2017 and 2016, respectively, for their share of rent proceeds from Emory University.

The Academy's share of rental income was \$134,791 and \$132,619 and direct expenses were \$118,817 and \$144,024 for the years ended June 30, 2017 and 2016, 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 \$119,632 and \$263,356 recorded at June 30, 2017 and 2016, respectively, related to these services included in the consolidated statements of financial position.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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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, 2017 and 2016 was approximately \$101,000 and \$91,000, respectively.

### 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, 2017, 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, 2017 and 2016

### 11. Functional Expenses

The functional expenses for the year ended June 30, 2017 are:

|                                  | Research<br>and<br>Publications | Member<br>Services | Professional<br>Development<br>Services | External<br>Relations | Regional and<br>Annual<br>Meeting | Luce Center<br>Expenses | General and<br>Administrative | Fundraising      | Total               |
|----------------------------------|---------------------------------|--------------------|---|-----------------------|-----------------------------------|-------------------------|-------------------------------|------------------|---------------------|
| Salaries and wages               | \$ 89,123                       | \$ 261,701         | \$ 38,186                               | \$ 161,162            | \$ 193,559                        | \$ 32,886               | \$ 210,458                    | \$ 21,330        | \$ 1,008,405        |
| Payroll taxes and benefits       | 24,402                          | 71,654             | 10,467                                  | 44,041                | 52,997                            | 8,739                   | 57,624                        | 5,840            | 275,764             |
| Staff development                | 666                             | 1,955              | 223                                     | 5,517                 | 1,446                             | 172                     | 1,572                         | 159              | 11,711              |
| Temporary help                   | 540                             | 3,972              | 353                                     | 1,003                 | 17,167                            | 229                     | 1,245                         | 85               | 24,594              |
| <b>Total personnel</b>           | <b>114,731</b>                  | <b>339,282</b>     | <b>49,229</b>                           | <b>211,723</b>        | <b>265,169</b>                    | <b>42,026</b>           | <b>270,899</b>                | <b>27,414</b>    | <b>1,320,474</b>    |
| Advertising and promotion        | 115                             | 290                | 48                                      | 471                   | 507                               | 15                      | 82                            | 6                | 1,534               |
| Conferences and meetings         | 3,451                           | 87,347             | 26,707                                  | 6,328                 | 44,929                            | 232                     | 1,260                         | 2,141            | 172,395             |
| Dues and subscriptions           | 920                             | 7,248              | 663                                     | 1,710                 | 2,717                             | 391                     | 2,123                         | 145              | 15,917              |
| Equipment rental and maintenance | 3,609                           | 18,882             | 2,441                                   | 6,429                 | 65,440                            | 6,757                   | 7,981                         | 545              | 112,084             |
| Grants and subventions           | 42,092                          | 46,728             | 15,050                                  | 136,284               | 20,464                            | 158                     | 856                           | 58               | 261,690             |
| Insurance                        | 67                              | 347                | 44                                      | 125                   | 4,173                             | 4,136                   | 155                           | 11               | 9,057               |
| Occupancy                        | 4,472                           | 23,135             | 2,923                                   | 8,310                 | 14,884                            | 85,763                  | 10,318                        | 704              | 150,509             |
| Postage and shipping             | 5,667                           | 5,946              | 1,280                                   | 1,124                 | 17,841                            | 230                     | 1,249                         | 85               | 33,423              |
| Printing and publications        | 35,659                          | 1,066              | 439                                     | 482                   | 26,864                            | 88                      | 475                           | 32               | 65,106              |
| Professional fees                | 15,327                          | 40,135             | 5,745                                   | 14,595                | 308,674                           | 2,950                   | 14,351                        | 980              | 402,757             |
| Service charges and fees         | 6,155                           | 57,514             | 4,363                                   | 14,635                | 89,190                            | 4,624                   | 14,201                        | 969              | 191,652             |
| Supplies                         | 608                             | 2,683              | 332                                     | 1,385                 | 1,343                             | 4,485                   | 1,172                         | 80               | 12,088              |
| Telephone                        | 461                             | 2,349              | 291                                     | 1,144                 | 1,413                             | 1,575                   | 1,028                         | 103              | 8,364               |
| Travel and meeting expense       | 16,202                          | 28,335             | 42,463                                  | 39,869                | 64,810                            | 1,126                   | 6,043                         | 413              | 199,261             |
| Other                            | 8,965                           | 1,573              | 1,508                                   | 6,256                 | 1,418                             | 1,876                   | -                             | -                | 21,596              |
| <b>Total expenses</b>            | <b>\$ 258,501</b>               | <b>\$ 662,860</b>  | <b>\$ 153,526</b>                       | <b>\$ 450,870</b>     | <b>\$ 929,836</b>                 | <b>\$ 156,432</b>       | <b>\$ 332,195</b>             | <b>\$ 33,687</b> | <b>\$ 2,977,907</b> |

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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

|                                  | Research<br>and<br>Publications | Member<br>Services | Professional<br>Development<br>Services | External<br>Relations | Regional and<br>Annual<br>Meeting | Luce Center<br>Expenses | General and<br>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>           | 143,908                         | 434,872            | 50,771                                  | 156,329               | 253,715                           | 26,913                  | 236,673                       | 19,503      | 1,322,684    |
| 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>            | \$ 256,652                      | \$ 857,609         | \$ 121,255                              | \$ 207,447            | \$ 877,461                        | \$ 152,107              | \$ 293,005                    | \$ 24,236   | \$ 2,789,772 |