

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

**Consolidated Financial Statements**  
June 30, 2018 and 2017

# American Academy of Religion, Inc. & Subsidiaries

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
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, 2018 and 2017, 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, 2018 and 2017, 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.*

Certified Public Accountants

February 15, 2019

# American Academy of Religion, Inc. & Subsidiaries

## Consolidated Statements of Financial Position June 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash in banks	\$ 925,742	\$ 1,168,355
Accounts receivable, net of allowance for doubtful accounts	81,543	79,072
Related party receivable	8,552	4,627
Prepaid expenses and other assets	41,297	60,354
Furniture and software, net of accumulated depreciation	170,238	222,260
Work in process - software development	126,300	101,397
Share of Luce Center assets, net of accumulated depreciation	1,978,500	1,976,707
Marketable securities, at fair value	8,255,280	7,765,716
<b>Total assets</b>	<b>\$ 11,587,452</b>	<b>\$ 11,378,488</b>
<b>Liabilities and net assets</b>		
Accounts payable and accrued expenses	\$ 91,045	\$ 80,599
Related party payable	312,110	121,200
Accrued vacation	-	99,586
Deferred revenue - membership	362,450	392,475
Deferred revenue - annual meeting	875,089	864,361
<b>Total liabilities</b>	<b>1,640,694</b>	<b>1,558,221</b>
<b>Net assets</b>		
Without donor restrictions	7,111,953	6,864,099
With donor restrictions	2,834,805	2,956,168
<b>Total net assets</b>	<b>9,946,758</b>	<b>9,820,267</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,587,452</b>	<b>\$ 11,378,488</b>

# American Academy of Religion, Inc. & Subsidiaries

## Consolidated Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and other support</b>			
Membership dues	\$ 877,988	\$ -	\$ 877,988
Grant Revenue	34,000	-	34,000
Regional and annual meeting registration and exhibits	1,637,652	-	1,637,652
Employment information services	75,201	-	75,201
Label sales	23,489	-	23,489
Publications and royalties	22,832	-	22,832
Contributions and gifts in kind	66,113	5,477	71,590
Luce Center rental income	130,070	-	130,070
Interest and dividends, net of investment expenses	92,403	47,185	139,588
Miscellaneous	10,986	-	10,986
Net assets released from restrictions	356,354	(356,354)	-
<b>Total revenues and other support</b>	<b>3,327,088</b>	<b>(303,692)</b>	<b>3,023,396</b>
<b>Expenses</b>			
<b>Program</b>			
Research and publications	252,028	-	252,028
Member services	731,386	-	731,386
Professional development services	104,504	-	104,504
External relations	576,694	-	576,694
Regional and annual meeting	1,005,849	-	1,005,849
<b>Total program expenses</b>	<b>2,670,461</b>	<b>-</b>	<b>2,670,461</b>
Luce Center expenses	139,897	-	139,897
General and administrative	473,847	-	473,847
Fundraising	26,848	-	26,848
<b>Total expenses</b>	<b>3,311,053</b>	<b>-</b>	<b>3,311,053</b>
<b>Increase (decrease) in net assets before depreciation and investment gains</b>	<b>16,035</b>	<b>(303,692)</b>	<b>(287,657)</b>
<b>Depreciation</b>	<b>(176,545)</b>	<b>-</b>	<b>(176,545)</b>
<b>Investment gains (realized and unrealized)</b>	<b>408,364</b>	<b>182,329</b>	<b>590,693</b>
<b>Increase (decrease) in net assets</b>	<b>247,854</b>	<b>(121,363)</b>	<b>126,491</b>
<b>Net assets, beginning of year</b>	<b>6,864,099</b>	<b>2,956,168</b>	<b>9,820,267</b>
<b>Net assets, end of year</b>	<b>\$ 7,111,953</b>	<b>\$ 2,834,805</b>	<b>\$ 9,946,758</b>

# American Academy of Religion, Inc. & Subsidiaries

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

	Without Donor Restrictions	With Donor Restrictions	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
Publications and royalties	48,861	-	48,861
Contributions and gifts in kind	89,123	3,885	93,008
Luce Center rental income	134,791	-	134,791
Interest and dividends, net of investment expenses	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>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>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>2,977,907</b>
<b>Increase in net assets before depreciation and investment losses</b>	<b>126,435</b>	<b>(302,547)</b>	<b>(176,112)</b>
<b>Depreciation</b>	<b>(245,553)</b>	<b>-</b>	<b>(245,553)</b>
<b>Investment gains (realized and unrealized)</b>	<b>493,612</b>	<b>215,273</b>	<b>708,885</b>
<b>(Decrease) increase in net assets</b>	<b>374,494</b>	<b>(87,274)</b>	<b>287,220</b>
<b>Net assets, beginning of year</b>	<b>6,489,605</b>	<b>3,043,442</b>	<b>9,533,047</b>
<b>Net assets, end of year</b>	<b>\$ 6,864,099</b>	<b>\$ 2,956,168</b>	<b>\$ 9,820,267</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, 2018 and 2017

	2018	2017
<b>Cash flows from operating activities</b>		
<b>Increase in net assets</b>	<b>\$ 126,491</b>	<b>\$ 287,220</b>
<b>Reconciliation of increase in net assets to net cash used in operating activities</b>		
Depreciation	176,545	245,553
Investment gains	(590,693)	(708,885)
Changes in assets and liabilities:		
Accounts receivable	(2,471)	(23,558)
Related party receivable	(3,925)	855
Prepaid expenses	19,057	(8,044)
Accounts payable and accrued expenses	10,446	(18,389)
Related party payable	190,910	(142,341)
Accrued vacation	(99,586)	(9,806)
Deferred revenue	(19,297)	56,948
<b>Net cash used in operating activities</b>	<b>(192,523)</b>	<b>(320,447)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(11,572)	(18,903)
Additions to work in process - software development	(66,850)	(134,956)
Proceeds from sale of marketable securities	3,389,676	4,274,858
Purchase of marketable securities	(3,361,344)	(4,219,639)
<b>Net cash used in investing activities</b>	<b>(50,090)</b>	<b>(98,640)</b>
<b>Cash flows from financing activities</b>		
Repayments of line of credit	-	(18,750)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(18,750)</b>
<b>Net decrease in cash in banks</b>	<b>(242,613)</b>	<b>(437,837)</b>
<b>Cash in banks at beginning of year</b>	<b>1,168,355</b>	<b>1,606,192</b>
<b>Cash in banks at end of year</b>	<b>\$ 925,742</b>	<b>\$ 1,168,355</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	\$ 951	\$ 1,537
Write-off of fully depreciated furniture and equipment no longer in use	\$ 16,705	\$ 6,276

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

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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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, 2018 and 2017. All significant intercompany balances and transactions have been eliminated in the presentation of these consolidated financial statements.

#### Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This ASU makes improvements to not-for-profit financial reporting with regard to the net asset classification, liquidity, and enhanced disclosures surrounding the methods used to allocate expenses among program and support functions. This standard is effective for fiscal years beginning after December 15, 2017. The Academy has elected to early adopt the new guidance for the year ended June 30, 2018 and applied the changes retrospectively to the year ended June 30, 2017. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

#### 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 two classes of net assets: without donor restrictions and with donor restrictions. These two classifications are defined as follows:



# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

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Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations, including board designated endowments.

Net assets with donor restrictions – 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 or that require the donated assets be maintained permanently by the Academy. Generally, the donors of permanent net assets permit the Academy to use all or part of the income earned on related investments for general or specific purposes.

### 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, 2018 and 2017, 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.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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### Software Development Costs

The Academy capitalizes its internal use software in accordance with FASB ASC Topic 350 *Intangibles—Goodwill and Other*, which requires that the Academy capitalize certain internally developed software costs incurred in connection with developing or obtaining software for internal use. The Academy will capitalize labor costs of employees or contractors working directly on the development or modification of internal use software and software and hardware purchased specifically for the internal use software. There is no substantive plan being developed to market the software externally. Once the software is placed into service, it is classified as software within furniture and software. The costs are amortized to expense over their estimated useful lives when the software is placed in service. Certain software development costs capitalized during fiscal year 2018 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.

### 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 of balances in accordance with the agreement.

### Revenue Recognition

Contributions without donor-imposed restrictions 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 with donor restrictions 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 without donor restrictions. 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.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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### 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.

### Functional Allocation of Expenses

Note 11 presents categories of expenses that are attributable to one or more program or supporting services of the Academy and have been summarized on a functional basis. Accordingly, costs have been allocated among the programs and supporting services based typically on headcount, space, or usage.

### 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.

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.

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017. Management does not expect the legislation to have an impact on the financial statements because the Organization is exempt from income taxation under Internal Revenue Code Section 501(c)(3).

### 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 15, 2019, which is the date the financial statements were available to be issued.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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### 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 Academy 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.

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 (Level 1). 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%.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

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The Academy held investments at June 30, 2018 and 2017 as follows:

	2018	2017
Mutual Funds:		
Money Market	\$ 290,010	\$ 337,191
Fixed Income/Bond Funds	1,970,700	2,048,939
Emerging Markets	259,400	241,485
Foreign Funds	812,791	794,331
Total Mutual Funds	3,332,901	3,421,946
Equities:		
Energy	288,477	230,730
Materials	258,562	184,112
Industrials	502,584	489,525
Consumer Discretionary	525,194	540,489
Consumer Staples	346,035	364,639
Health Care	803,685	732,869
Financials	1,018,053	801,322
Information Technology	971,392	763,259
Telecommunication Services	64,365	70,656
Utilities	144,032	166,169
Total Equities	4,922,379	4,343,770
Total Marketable Securities	\$ 8,255,280	\$ 7,765,716

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 92,403	\$ 47,185	\$ 139,588
Realized gains	336,684	105,620	442,304
Unrealized gains	71,680	76,709	148,389
	<b>\$ 500,767</b>	<b>\$ 229,514</b>	<b>\$ 730,281</b>

	2017		
	Without Donor Restrictions	With Donor Restrictions	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
	<b>\$ 582,889</b>	<b>\$ 267,280</b>	<b>\$ 850,169</b>

### 3. Luce Center

Summarized financial information for the years ended June 30, 2018 and 2017 for the Luce Center assets is as follows:

	2018	
	Luce Center	American Academy of Religion's Share
Building	\$ 4,851,412	\$ 2,425,706
Furniture	49,150	24,575
Leasehold interest in land	165,000	82,500
Accumulated depreciation	(2,482,602)	(1,241,301)
Restricted investments, at fair value	1,374,040	687,020
<b>Share of Luce Center</b>	<b>\$ 3,957,000</b>	<b>\$ 1,978,500</b>

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

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	<u>2017</u>	
	Luce Center	American Academy of Religion's 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
Share of Luce Center	\$ 3,953,414	\$ 1,976,707

The Academy's share of restricted investments at June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
TIAA-CREF Bond Plus Fund	\$ 89,886	\$ 90,053
TIAA-CREF Social Choice Equity Fund	267,707	236,229
TIAA-CREF Equity Index Fund	329,427	287,941
Total	\$ 687,020	\$ 614,223

#### 4. Furniture and Software

	<u>2018</u>	<u>2017</u>
Furniture	\$ 80,160	\$ 85,292
Software	1,027,810	985,864
	1,107,970	1,071,156
Accumulated depreciation	(937,732)	(848,896)
	\$ 170,238	\$ 222,260

Depreciation expense was \$176,545 and \$245,553 for the years ended June 30, 2018 and 2017, respectively, of which \$71,004 and \$70,632 respectively relates to the Luce Center fixed assets.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

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### 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 3.00%. The interest rate was 4.23% and 3.30% at June 30, 2018 and 2017, respectively. Payments of monthly interest only are required until terminated. Certain investment accounts of the Academy are pledged as collateral. 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. Net Assets with Donor Restrictions

Activity for net assets with donor restrictions, including those released from restriction, for the years ended June 30, 2018 and 2017 is as follows:

	Balance at June 30, 2016		Net Assets Released From Restrictions		Balance at June 30, 2017		Net Assets Released From Restrictions		Balance at June 30, 2018
		Additions				Additions			
<b>Endowments:</b>									
<b>Subject to appropriation and expenditure when a specific event occurs:</b>									
Research grants	\$ 308,227	\$ 73,794	\$ (36,100)	\$ 345,921	\$ 62,633	\$ (36,575)	\$ 371,979		
Publications	213,992	58,938	(28,750)	244,180	50,014	(29,200)	264,994		
Annual meeting speakers	80,285	18,867	(9,200)	89,952	16,016	(9,350)	96,618		
Share of Luce Center endowment earnings	281,369	82,854	-	364,223	72,798	-	437,021		
Raj endowment earnings	30,872	14,234	(5,000)	40,106	12,257	-	52,363		
<b>Subject to nonprofit endowment spending policy and appropriation:</b>									
Grants	500,000	-	-	500,000	-	-	500,000		
Publications	350,000	-	-	350,000	-	-	350,000		
Annual meeting speakers	100,000	-	-	100,000	-	-	100,000		
Luce Center endowment corpus	250,000	-	-	250,000	-	-	250,000		
<b>Total endowments</b>	<b>2,114,745</b>	<b>248,687</b>	<b>(79,050)</b>	<b>2,284,382</b>	<b>213,718</b>	<b>(75,125)</b>	<b>2,422,975</b>		
<b>Other temporarily restricted net assets:</b>									
<b>Time and purpose restricted</b>									
Luce Religious Pluralism Grant	58,106	-	(58,106)	-	-	-	-		
Luce Fellowships in Religion and International Affairs Grant	510,536	-	(151,360)	359,176	-	(265,442)	93,734		
<b>Purpose Restricted</b>									
Lilly Strengthening College and University Religion and Theology	9,613	-	-	9,613	-	-	9,613		
Guide Star for Undergraduate Religions Literacy	158,828	-	(53,600)	105,228	-	(11,992)	93,236		
American Lecture in History of Religions	181,417	18,593	(13,120)	186,890	15,783	-	202,673		
Teagle Foundation	2,076	-	-	2,076	-	-	2,076		
Travel Grants	370	3,885	(1,650)	2,605	2,990	(2,385)	3,210		
Religion and Ecology	3,234	-	-	3,234	-	-	3,234		
Religion and the Arts	3,617	-	(1,553)	2,064	2,500	(1,410)	3,154		
Hinduism Unit	900	-	-	900	-	-	900		
<b>Total</b>	<b>\$3,043,442</b>	<b>\$271,165</b>	<b>\$(358,439)</b>	<b>\$2,956,168</b>	<b>\$234,991</b>	<b>\$(356,354)</b>	<b>\$2,834,805</b>		



# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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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 are endowed and are included in net assets with donor restrictions 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 net assets without donor restrictions or with donor restrictions 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 retains in perpetuity (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. 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 funds to function as endowments, they are classified as net assets without donor restrictions.

### **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 net assets with donor restriction funds in any given year. The market value is determined as of the last day of June. 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 decreases in net assets with donor restrictions. For the years ended June 30, 2018 and 2017, the total amount of income and gains transferred was \$75,125 and \$79,050, respectively.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

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### 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.

### 7. Liquidity and Availability of Financial Assets

The following reflects the Academy's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions.

	<u>2018</u>
Cash	\$ 925,742
Accounts receivable	81,543
Related party receivable	8,552
Marketable securities	8,255,280
<u>Total financial assets</u>	<u>9,271,117</u>
Contractual or donor-imposed restrictions:	
Endowment funds and donor restrictions	2,834,805
<u>Financial assets available to meet cash needs for     general expenditures within one year</u>	<u>\$ 6,436,312</u>

The Academy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Academy invests cash in excess of daily requirements in various short-term investments. The Academy also has a revolving line of credit of \$250,000 available which could be drawn upon in the event of an unanticipated liquidity event.

### 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.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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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 initially paid sixty cents per square foot per month. All net revenues or expenses are shared equally by the two owners. On June 30, 2016, the agreement was updated to eighty-three cents per square foot per month. On June 30, 2018, the agreement was extended through June 30, 2019 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 was from April 1, 2014 through March 31, 2018, at which time Emory University had the option to renew the lease for an additional year under the same terms and conditions. The initial rent was set at \$8,448 per month and increased approximately 3% during years two and three, respectively. Rent proceeds are split evenly between the Academy and SBL. The Academy's share of rental income was \$130,070 and \$134,791 and direct expenses were \$127,647 and \$118,817 for the years ended June 30, 2018 and 2017, 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 \$305,863 and \$119,632 recorded at June 30, 2018 and 2017, respectively, related to these services included in related party payable on the consolidated statements of financial position.

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, costs to develop related to this part of the project are being divided evenly between the Academy and SBL.

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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### 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, 2018 and 2017 was approximately \$104,000 and \$101,000, 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, 2018, 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, 2018 and 2017

### 11. Functional Expenses

The functional expenses for the year ended June 30, 2018 were:

	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	\$ 106,242	\$ 292,273	\$ 31,838	\$ 144,451	\$ 188,648	\$ 24,102	\$ 287,476	\$ 15,765	\$ 1,090,795
Payroll taxes and benefits	31,413	88,670	9,659	44,259	57,232	6,976	87,215	4,783	330,207
Staff development	856	4,301	352	2,769	2,445	137	3,178	174	14,212
Temporary help	164	752	69	14,822	28,838	18	451	23	45,137
<b>Total personnel</b>	<b>138,675</b>	<b>385,996</b>	<b>41,918</b>	<b>206,301</b>	<b>277,163</b>	<b>31,233</b>	<b>378,320</b>	<b>20,745</b>	<b>1,480,351</b>
Advertising and promotion	52	211	19	2,482	17,470	5	127	6	20,372
Conferences and meetings	3,782	90,376	13,580	6,358	75,962	92	2,320	1,436	193,906
Dues and subscriptions	859	7,332	363	7,806	1,587	74	1,883	94	19,998
Equipment rental and maintenance	4,864	22,406	2,044	6,173	47,311	6,385	13,394	670	103,247
Grants and subventions	36,593	37,544	13,738	246,572	20,781	2	55	3	355,288
Insurance	977	4,482	411	4,277	3,390	4,887	2,691	135	21,250
Occupancy	5,198	23,845	2,185	6,308	18,301	88,471	14,315	716	159,339
Postage and shipping	9,220	3,091	1,443	444	9,707	24	606	30	24,565
Printing and publications	15,310	1,475	234	481	20,742	34	853	43	39,172
Professional fees	15,882	47,215	7,508	41,745	310,508	993	25,160	1,258	450,269
Service charges and fees	7,937	62,269	3,336	8,273	132,270	3,150	21,857	1,093	240,185
Supplies	603	2,767	254	930	1,449	1,664	1,661	83	9,411
Telephone	497	2,240	238	1,140	1,505	1,439	1,332	67	8,458
Travel and meeting expense	11,501	39,924	17,200	25,375	67,414	444	9,135	457	171,450
Other	78	213	33	12,029	289	1,000	138	12	13,792
<b>Total expenses</b>	<b>\$ 252,028</b>	<b>\$ 731,386</b>	<b>\$ 104,504</b>	<b>\$ 576,694</b>	<b>\$ 1,005,849</b>	<b>\$ 139,897</b>	<b>\$ 473,847</b>	<b>\$ 26,848</b>	<b>\$ 3,311,053</b>

# American Academy of Religion, Inc. & Subsidiaries

## Notes to Consolidated Financial Statements

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

	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	\$ 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>	114,731	339,282	49,229	211,723	265,169	42,026	270,899	27,414	1,320,474
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>	\$ 258,501	\$ 662,860	\$ 153,526	\$ 450,870	\$ 929,836	\$ 156,432	\$ 332,195	\$ 33,687	\$ 2,977,907