ASBURY theological SEMINARY

THE WHOLE BIBLE FOR THE WHOLE WORLD

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

ASBURY THEOLOGICAL SEMINARY

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CPAs / ADVISORS

blue

Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 *fax* 859.253.1384 *email* blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Asbury Theological Seminary
Wilmore, Kentucky

We have audited the accompanying financial statements of Asbury Theological Seminary (the "Seminary"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Seminary's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Seminary's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Seminary as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2020, the Seminary adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customer (Topic 606).* Our opinion is not modified with respect to these matters.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, presented on pages 38-40 as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The financial responsibility composite score supplemental schedule on pages 41-43 is also presented for purposes of additional analysis as required by the U.S. Department of Education and is not a required part of the financial statements. The above information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, on our consideration of the Seminary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seminary's internal control over financial reporting and compliance.

Blue & Co., LLC

Lexington, Kentucky
October 20, 2021

ASBURY THEOLOGICAL SEMINARY

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
Current assets		
Cash and cash equivalents	$ 39,669,357	$ 24,853,357
Accrued income receivable	35,243	37,751
Accounts receivable, less allowance of $100,000 and $50,000, respectively	2,567,442	2,894,343
Contributions receivable, less allowance of approximately $50,000 in each year	1,180,307	2,712,024
Student loans receivable	19,347	25,752
Inventories	857,020	650,216
Prepaid expenses	422,515	461,258
Total current assets	44,751,231	31,634,701
Non-current assets		
Contributions receivable	1,236,822	2,592,204
Student loans receivable	457,075	484,882
Investments	202,427,041	159,185,450
Funds held in trusts by others	2,742,890	2,231,112
Property, plant, and equipment, net	82,168,743	83,441,770
Other assets	12,647	13,851
Total non-current assets	289,045,218	247,949,269
Total assets	$ 333,796,449	$ 279,583,970

See accompanying notes to financial statements.

ASBURY THEOLOGICAL SEMINARY

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

LIABILITIES AND NET ASSETS

	2021	2020
Current liabilities		
Accounts payable and payroll liabilities	$ 993,586	$ 1,416,295
Student deposits and agency funds	966,591	1,135,374
Deferred revenues	762,988	424,128
Interest payable	11,585	12,487
Notes payable	349,051	337,904
Total current liabilities	3,083,801	3,326,188
Non-current liabilities		
Notes payable	3,987,821	4,336,851
Annuities payable	1,883,801	1,964,853
Trust obligations	1,056,583	386,949
Total non-current liabilities	6,928,205	6,688,653
Total liabilities	10,012,006	10,014,841
Net assets		
Without donor restrictions		
Undesignated	6,832,934	4,593,266
Board designated	9,167,882	6,624,122
Net investment in plant	77,844,518	78,780,865
Total net assets without donor restrictions	93,845,334	89,998,253
With donor restrictions		
Time restricted for future periods	2,019,296	2,920,852
Purpose restricted	108,432,794	62,551,984
Perpetual in nature	119,487,019	114,098,040
Total net assets with donor restrictions	229,939,109	179,570,876
Total net assets	323,784,443	269,569,129
Total liabilities and net assets	$ 333,796,449	$ 279,583,970

See accompanying notes to financial statements.

ASBURY THEOLOGICAL SEMINARY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues, gains, and other support:			
Tuition and fees	$ 18,285,123	$ -0-	$ 18,285,123
Less scholarship allowances	(9,248,268)	-0-	(9,248,268)
Tuition and fees, net	9,036,855	-0-	9,036,855
Private gifts and grants	3,001,002	13,634,786	16,635,788
Government grants	-0-	226,692	226,692
Other revenue	1,317,895	13,720	1,331,615
Investment return designated for current operations	63,384	8,863,224	8,926,608
Sales and service of auxiliary enterprises	1,675,832	465,072	2,140,904
Total revenues and gains	15,094,968	23,203,494	38,298,462
Net assets released from restrictions	15,405,210	(15,405,210)	-0-
Total revenues, gains, and other support	30,500,178	7,798,284	38,298,462
Expenses:			
Program services:			
Instruction	11,499,506	-0-	11,499,506
Academic support	3,144,503	-0-	3,144,503
Student services	3,030,370	-0-	3,030,370
Public service	25,751	-0-	25,751
Auxiliary enterprises	4,299,591	-0-	4,299,591
Total program services	21,999,721	-0-	21,999,721
Supporting services:			
Management and general	4,395,771	-0-	4,395,771
Fundraising and development	1,459,238	-0-	1,459,238
Total expenses	27,854,730	-0-	27,854,730
Changes in net assets from operating activities	2,645,448	7,798,284	10,443,732
Non-operating			
Private gifts and grants	34,210	5,429,529	5,463,739
Annuity and life income agreements	1,229,134	125,455	1,354,589
Investment return (loss)	-0-	36,181,637	36,181,637
Change in value of funds held in trust by others	-0-	542,259	542,259
Other revenue	229,358	-0-	229,358
Net assets released from restrictions	(291,069)	291,069	-0-
Changes in net assets from non-operating activities	1,201,633	42,569,949	43,771,582
Changes in net assets	3,847,081	50,368,233	54,215,314
Net assets at the beginning of year	89,998,253	179,570,876	269,569,129
Net assets at the end of the year	$ 93,845,334	$ 229,939,109	$ 323,784,443

See accompanying notes to financial statements.

ASBURY THEOLOGICAL SEMINARY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues, gains, and other support:			
Tuition and fees	$ 17,984,396	$ -0-	$ 17,984,396
Less scholarship allowances	(7,864,325)	-0-	(7,864,325)
Tuition and fees, net	10,120,071	-0-	10,120,071
Private gifts and grants	2,352,898	7,162,156	9,515,054
Government grants	-0-	235,030	235,030
Other revenue	2,252,109	47,673	2,299,782
Investment return designated for current operations	5,759	7,033,794	7,039,553
Sales and service of auxiliary enterprises	1,798,157	451,422	2,249,579
Total revenues and gains	16,528,994	14,930,075	31,459,069
Net assets released from restrictions	12,649,234	(12,649,234)	-0-
Total revenues, gains, and other support	29,178,228	2,280,841	31,459,069
Expenses:			
Program services:			
Instruction	12,221,785	-0-	12,221,785
Academic support	2,894,244	-0-	2,894,244
Student services	3,107,311	-0-	3,107,311
Public service	33,215	-0-	33,215
Auxiliary enterprises	4,437,446	-0-	4,437,446
Total program services	22,694,001	-0-	22,694,001
Supporting services:			
Management and general	4,802,376	-0-	4,802,376
Fundraising and development	1,622,212	-0-	1,622,212
Total expenses	29,118,589	-0-	29,118,589
Changes in net assets from operating activities	59,639	2,280,841	2,340,480
Non-operating			
Private gifts and grants	500,000	851,582	1,351,582
Annuity and life income agreements	129,814	-0-	129,814
Investment return (loss)	-0-	(1,162,534)	(1,162,534)
Change in value of funds held in trust by others	-0-	19,449	19,449
Other revenue	322,224	-0-	322,224
Net assets released from restrictions	389,845	(389,845)	-0-
Changes in net assets from non-operating activities	1,341,883	(681,348)	660,535
Changes in net assets	1,401,522	1,599,493	3,001,015
Net assets at the beginning of year	88,596,731	177,971,383	266,568,114
Net assets at the end of the year	$ 89,998,253	$ 179,570,876	$ 269,569,129

See accompanying notes to financial statements.

ASBURY THEOLOGICAL SEMINARY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Changes in net assets	$ 54,215,314	$ 3,001,015
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	2,726,217	3,202,355
Actuarial adjustment to annuity and trust obligations	(883,563)	192,816
Change in value of funds held in trust held by others	(511,778)	39,772
Net unrealized and realized losses (gains) on investments	(45,890,617)	(2,463,653)
Cash contributions restricted for capital improvements and endowment investment	(5,463,739)	(1,351,582)
Noncash contributions received	(2,450,407)	(2,686,339)
Proceeds from sale of donated securities	2,650,274	2,877,318
Net change in operating assets and liabilities:		
Accrued income receivable	2,508	54,829
Accounts receivable	326,901	(146,731)
Contributions receivable	2,887,099	2,192,305
Inventories	(206,804)	(7,403)
Prepaid expenses	38,743	(149,667)
Other assets	1,204	1,204
Accounts payable and payroll liabilities	(422,709)	(5,674)
Deposits and agency funds	(168,783)	158,341
Deferred revenues	338,860	(418,134)
Interest payable	(902)	(878)
Net cash flows from operating activities	7,187,818	4,489,894
Cash Flows from Investing Activities		
Purchases of investments	(50,441,523)	(43,554,413)
Proceeds from sales and maturities of investments	52,890,682	46,140,342
Purchase of property, plant, and equipment	(1,694,690)	(1,491,010)
Proceeds from disposal of property, plant, and equipment	241,500	-0-
Student loans	(147,802)	(159,386)
Student loan repayments	182,014	130,007
Net cash flows from investing activities	1,030,181	1,065,540

See accompanying notes to financial statements.

ASBURY THEOLOGICAL SEMINARY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Financing Activities		
Cash contributions restricted for capital improvements and endowment investment	5,463,739	1,351,582
Proceeds received on annuity agreements	109,168	23,890
Contractual payments on annuity obligations	693,343	(291,125)
Contractual payments on trust obligations	669,634	5,846
Principal payments on notes payable	(337,883)	(2,326,675)
Proceeds from issuance on long term debt	-0-	2,000,000
Net cash flows from financing activities	6,598,001	763,518
Net change in cash and cash equivalents	14,816,000	6,318,952
Cash and cash equivalents at beginning of year	24,853,357	18,534,405
Cash and cash equivalents at end of year	$ 39,669,357	$ 24,853,357
Supplemental disclosure of cash flow information:		
Cash paid for interest net of amounts capitalized	$ 146,958	$ 161,674
Noncash investing and financing activities:		
Donated securities	$ 2,450,407	$ 2,686,339

See accompanying notes to financial statements.

1. NATURE OF ACTIVITIES

Asbury Theological Seminary (the "Seminary") is an interdenominational graduate school of theology. The Seminary was organized in 1923 and is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and the Association of Theological Schools to award masters and doctoral degrees. The Seminary operates campuses in Wilmore, Kentucky and Orland, Florida, along with instructional sites in Memphis, Tennessee and Tulsa, Oklahoma as well as a robust online presence, all of which allow the Seminary to serve a diverse student body from around the world. In addition, the Seminary is currently launching an instructional site in Colorado Springs, Colorado.

2. CHANGES IN ACCOUNTING PRINCIPLE

During 2021, the Seminary adopted Financial Accounting Standards Board (FASB). Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." These new standards deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto. The adoption of Topic 606 had no impact on the Seminary's financial statements. The Seminary applied the modified retrospective approach to all contracts when adopting Topic 606. As part of the adoption of Topic 606, the Seminary elected two of the available practical expedients provided for in the standard. First, the Seminary does not adjust the transaction price for any financing components as those were deemed insignificant. Additionally, the Seminary expenses all incremental customer contract acquisition costs as incurred because such costs are not material and would be amortized over a period less than one year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Seminary are classified and reported as follows:

> Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by board for specific use.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

Estimates

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

Cash and Cash Equivalents

Cash equivalents are stated at cost, which approximates market value. Cash equivalents consist of short term, highly liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable include student accounts receivable and other receivables. Student accounts receivable represent unsecured amounts due for tuition, fees, and room and board from currently enrolled and former students. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on previous experience. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Student Loans Receivable

Student loans receivable consists of amounts loaned to students based on demonstrated financial need. These loans receivable are carried at unpaid principal balances, less an allowance for uncollectible loans. Management's periodic evaluation of the adequacy of the allowance is based primarily on the Seminary’s past loan loss experience, specific impaired loans, and adverse situations that may affect the borrower's ability to repay. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with contractual terms. The allowance represents an amount, which, in management's judgment, is sufficient to absorb loans that may ultimately be written off. No allowance for uncollectible loans is reflected in the accompanying financial statements as of and for the years ended June 30, 2021 and 2020. Management has determined that such an allowance would not be material.

The Seminary's practice is to write off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons. As the Seminary determines that loans are uncollectible, the loans are written off.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off. Interest income on nonaccrual loans is recognized only to the extent cash payment is received.

Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

Inventories

Inventories consist of literature, maintenance, and other supply items and are stated at the lower of cost or net realizable value, with cost being primarily average cost.

Investments

Investments in certificates of deposits are stated at original deposit plus accrued interest. Investments in marketable equity and fixed income securities are valued at the closing price reported on the active market on which the individual securities are traded. For certain thinly-traded equity and fixed income securities, market prices are obtained from the Seminary's investment managers. Mutual and exchange traded funds are carried at fair values based on the daily closing price as reported by the funds.

Alternative investments, which are not readily marketable, are carried at net asset value (NAV) of the units of the investment, as provided by the investment manager, as a practical expedient to estimate fair value.

Investments in real estate are stated at the lower of cost or market as determined by appraisals or management estimates. Investments in rental real estate are stated at the lower of carrying value or market as determined by appraisals or management estimates. Other investments are recorded at cost, or in the case of gifts, at fair value at the date of acquisition.

Investment Pools

The Seminary maintains pooled investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from investments in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Funds Held in Trust by Others

Funds held in trust by others include investments held in irrevocable trusts and administered by trustees which are neither in the possession of nor under the control of the Seminary. Certain of these trusts are held under an arrangement where the Seminary receives income earned on the trust assets in perpetuity but will never receive the assets held in trust. These investments are recorded at management's estimate of the present value of the future cash flows, which represents the fair value of the trust assets.

Annuities Payable and Trust Obligations

Assets recorded under split interest agreements are recorded at fair value of the investments held under such agreements which represents management's estimate of the present value of expected future cash flows. Annuity and trust obligations are calculated and recorded using discount rates and actuarial assumptions as supplied by the American Council on Gift Annuities which represents the fair value of expected future cash flows from the Seminary to beneficiaries.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost net of accumulated depreciation. Items with a cost of greater than $1,000 and a useful life in excess of one year are capitalized. Contributed property and equipment is recorded at fair value at the date of donation. The contributions are recorded as restricted support if a donor stipulates how long the assets must be used. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings, residences, and other structures	50 - 100 years
Equipment	10 years
Library books	10 years
Computers and software	5 years

Interest Capitalized

The Seminary follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment during construction.

Revenue Recognition

The Seminary recognizes tuition revenue over the applicable period of instruction. The Seminary enters contracts with students covering a semester or courses. Revenue recognition begins once a student starts attending a course. The Seminary has no costs that are capitalized to obtain or to fulfill a contract with customers. Auxiliary revenues include room and board revenues that are recognized over the period the services are provided.

The Seminary's receivables (contract receivables) represent unconditional rights to consideration from its contracts with students; accordingly, the revenue recognition process commences when they start attending their courses. Students are invoiced and payment is due prior to the start of the term. Included in each invoice to the student are all educational related items including tuition, net of scholarships and fees. The Seminary's contract liabilities are reported as deferred revenue and student deposits in the statements of financial position. Deferred revenue and student deposits in any period represent the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the statements of activities and are reflected as liabilities in the accompanying statements of financial position.

The Seminary identifies a performance obligation associated with the provision of its educational instruction and auxiliary services and uses the output measure for recognition as the period of time over which the services are provided to our students. The Seminary maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. These amounts are immaterial for the fiscal years ended June 30, 2021 and 2020. The Seminary did not record revenue on amounts that may be refunded. However, for students that take out financial aid to pay their tuition and for which a return of such money to the Department of Education under Title IV is required as a result of his or her withdrawal, the Seminary reassesses collectability for these students.

Tuition and Fees

Tuition and fees, as set annually by the Board of Trustees, represent revenue from contracts with customers. They are recognized in the applicable enrollment period which includes revenue deferred in a prior academic year. Because the Seminary has not incurred any additional cost in providing financial aid to students, institutional scholarship allowances are recorded as a reduction of tuition and fees rather than as an expense of the Seminary.

Contributions

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. Federal and state contracts and grants are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. A donor's indication of an intention to give at a future date is not recognized as revenue until the intention is communicated as an unconditional promise to give. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received, less an allowance for uncollectible receivables. Management's periodic evaluation of the adequacy of the allowance is based on its assessment of the current and historic collection history of the Seminary.

An allowance for uncollectible contributions is reflected in the accompanying financial statements as of and for the years ended June 30, 2021 and 2020.

Expiration of Donor Restrictions

The expiration of a donor restriction for contributions or endowment investment income is recognized in the period in which the restriction expires, and at that time the related resources are reclassified to net assets without donor restriction. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Seminary follows the policy of reporting donor restricted contributions and donor restricted investment income as donor restricted support or income and then released from restriction if the restriction is met in the same period as received or earned.

Subsequent Events

The Seminary 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 DATE, which is the date the financial statements were available to be issued.

Recently Issued Accounting Standards

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* and subsequently ASU 2020-05 *Leases: Effective Date for Certain Entities*. This new standard, which the Seminary is not required to adopt until its year ending June 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position. The Seminary is currently evaluating the effect that the updated standard will have on the financial statements.

On September 17, 2020, the FASB issued an ASU No. 2020-07 Not-for-Profit Entities (*Topic 958*): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This new standard is intended to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including information on how those assets are used and how they are valued. This new standard requires that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition, there are expanded disclosure requirements. The Seminary will be required to adopt this new standard in the year ending June 30, 2022.

4. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are due in more than one year are reflected at present value of estimated future cash flows using discount rates ranging from 1.24% to 3.00%.

Contributions receivable consist of the following at June 30:

	2021	2020
Amounts due in less than one year	1,180,307	2,712,024
Amounts due from one to five years	1,123,754	2,561,879
Amounts due in more than five years	400,000	400,000
	2,704,061	5,673,903
Less allowance for uncollectible pledges	50,000	50,000
Less unamortized discount	236,932	319,675
Net contributions receivable	$ 2,417,129	$ 5,304,228

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Effective July 1, 2020, the Seminary adopted the FASB ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU removed and modified certain disclosure requirements in Topic 820. As such, the fair value measurement disclosures for 2020 have been restated for these changes.

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Seminary has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Money market mutual funds: Generally, transact subscription and redemption activity at a $1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual and exchange traded funds: Valued at the daily closing price as reported by the fund. Mutual and exchange traded funds held by the Seminary are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The funds held by the Seminary are deemed to be actively traded.

Other investments: Valued using pricing models maximizing the use of observable inputs for similar assets and securities.

Alternative investments: Valued at the NAV of units of the investee. The NAV, as provided by the investment manager, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the investee less its liabilities. Due to the nature of the investments held by the investee, changes in market conditions and the economic environment may significantly impact the net asset value of the investee and, consequently, the fair value of the Seminary's interests in the investee.

Funds held in trust by others: Valued at fair value as reported by the trustee, which represents the Seminary's pro rata interest in the net assets of the trust, substantially all of which are valued on a mark-to-market basis.

Annuity and trust obligations: Calculated and recorded using discount rates and actuarial assumptions as supplied by the American Council on Gift Annuities which represents the fair value of expected future cash flows from the Seminary to beneficiaries.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Seminary believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in different fair value measurements at the reporting date.

The following tables set forth by level within the fair value hierarchy investment assets and liabilities as of June 30, 2021 and 2020, and the changes in fair value of the Seminary's Level 3 investments assets for the years then ended.

Fair value measurements as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Money market mutual funds	$ -0-	$ 8,327,385	$ -0-	$ 8,327,385
Common stocks:				
Consumer discretionary	387,550	-0-	-0-	387,550
Energy	220,602	-0-	-0-	220,602
Financials	100,023	-0-	-0-	100,023
Health Care	836,527	-0-	-0-	836,527
Industrials	1,066,850	-0-	-0-	1,066,850
Information Technology	2,843,870	-0-	-0-	2,843,870
Real Estate	275,583	-0-	-0-	275,583
Telecommunication Services	802,922	-0-	-0-	802,922
Mutual and exchange traded funds (ETF):				
Equity				
Large	19,132,115	-0-	-0-	19,132,115
Small/mid	34,180,352	-0-	-0-	34,180,352
Fixed Income				
Intermediate	13,676,220	-0-	-0-	13,676,220
Other	8,086,033	-0-	-0-	8,086,033
ETF				
Large	4,951,332	-0-	-0-	4,951,332
Intermediate	1,992,675	-0-	-0-	1,992,675
Other investments	-0-	83,137	-0-	83,137
Funds held in trust by others	-0-	-0-	2,742,890	2,742,890
Total investments and funds held in trust by others at fair value	$ 88,552,654	$ 8,410,522	$ 2,742,890	99,706,066
Alternative investments*				100,781,164
Other				2,692,484
Cash				1,990,217
Total investments and funds held in trust by others				$ 205,169,931
Liabilities at fair value:				
Annuities payable	$ -0-	$ 1,883,801	$ -0-	$ 1,883,801
Trust obligations	-0-	1,056,583	-0-	1,056,583
Total liabilities at fair value	$ -0-	$ 2,940,384	$ -0-	$ 2,940,384

Fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Money market mutual funds	$ -0-	$ 3,208,792	$ -0-	$ 3,208,792
Common stocks:				
Consumer discretionary	176,437	-0-	-0-	176,437
Energy	35,620	-0-	-0-	35,620
Financials	130,777	-0-	-0-	130,777
Healthcare	1,409,142	-0-	-0-	1,409,142
Industrials	1,254,854	-0-	-0-	1,254,854
Information technology	2,554,307	-0-	-0-	2,554,307
Real Estate	445,576	-0-	-0-	445,576
Telecommunication services	836,207	-0-	-0-	836,207
Mutual and exchange traded funds (ETF):				
Equity				
Large	14,781,744	-0-	-0-	14,781,744
Small/mid	27,877,920	-0-	-0-	27,877,920
Fixed Income				
Intermediate	10,495,133	-0-	-0-	10,495,133
Other	8,190,030	-0-	-0-	8,190,030
ETF				
Large	3,718,659	-0-	-0-	3,718,659
Intermediate	2,042,955	-0-	-0-	2,042,955
Other investments	-0-	83,137	-0-	83,137
Funds held in trust by others	-0-	-0-	2,231,112	2,231,112
Total investments and funds held in trust by others at fair value	$ 73,949,361	$ 3,291,929	$ 2,231,112	79,472,402
Alternative investments*				77,896,237
Other				2,871,702
Cash				1,176,221
Total investments and funds held in trust by others				$ 161,416,562
Liabilities at fair value:				
Annuities payable	$ -0-	$ 1,964,853	$ -0-	$ 1,964,853
Trust obligations	-0-	386,949	-0-	386,949
Total liabilities at fair value	$ -0-	$ 2,351,802	$ -0-	$ 2,351,802

*Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The carrying amounts presented in the above tables are intended to permit reconciliation of the fair value to the line items presented in the statement of financial position.

Changes in Level 3 assets and liabilities during the years ended June 30:

	2021	2020
Beginning balance	$ 2,231,112	$ 2,270,884
Investment return/(loss), net	511,778	(39,772)
Total	$ 2,742,890	$ 2,231,112

Distributions from each of the proprietary funds will be received as the underlying investment of the limited partnership is realized. It is estimated that the underlying assets of the limited partnerships will be realized over the next 1 – 10 years. It is probable that all of the investments in limited partnerships will be sold at an amount different from the net asset value listed due to market and credit risk associated with these investments at the time of disposition.

The following tables summarize alternative investments stated at net asset value by investment category, strategy and redemption frequency:

Alternative investment category, redemption frequency	Funds	2021	2020	Unfunded Commitments
Hedge funds:				
Hedge fund, annually (1)	3	$ 16,808,344	$ 12,219,194	-0-
Hedge fund, quarterly (1)	3	3,653,452	1,414,595	3,378,488
Hedge fund, monthly (1)	1	353,105	1,732,438	69,041
Commingled equity funds (6)	3	12,888,646	9,167,478	-0-
Proprietary funds:				
Private equity fund, monthly (2)	1	2,268,599	969,985	1,200,000
Private equity fund, non-redeemable (2)	13	29,941,013	21,119,405	3,422,146
Real estate fund, non-redeemable (3)	10	21,888,077	22,757,146	1,489,893
Timberland fund, non-redeemable (4)	1	91,513	214,111	-0-
Venture capital fund of funds, non-redeemable (5)	2	12,888,415	8,301,885	1,760,000
	37	$ 100,781,164	$ 77,896,237	$ 11,319,568

(1) This category includes investment in multiple funds. Funds invest in publicly traded equity securities issued by non-U.S. companies. Other funds are feeder funds which invest in a master fund. The master funds employ multiple strategies which include but are not limited to the following: private investments, hedge fund strategies, opportunistic equity, enhanced fixed income, absolute return, and tactical trading. While others seek to generate capital appreciation over the long term through a portfolio having a diversified risk profile with relatively low volatility and a low correlation with traditional equity and fixed income markets. The fair values of the investments in this category have been estimated using the net asset value per share of the fund.

(2) This category includes funds which emphasize private equity while also looking to buyouts, venture capital, special situations, distressed securities and other non-traditional categories where there is a belief that the risk adjusted returns or diversification benefits from such categories may be compelling.

(3) This category includes funds which seek superior returns through investments in undervalued or inappropriately capitalized U.S. and non-U.S. real estate assets and portfolios, and corporate real estate. The underlying real estate investments are valued at fair value which is determined based on the funds allocable share of the underlying entities partner's capital pursuant to the distribution provisions provided for in the underlying joint venture or operating agreements.

(4) This category includes a fund which invests primarily in timberland assets. The underlying real estate assets are primarily valued using any or all of the following three methods, performed annually by independent appraisers; sales comparison approach; cost approach; and income approach.

(5) This category includes a venture capital fund of funds which invests primarily in U.S. venture and growth capital funds.

(6) This category includes funds which invest in multiple equity investments to benefit from a economy of scale.

The Seminary has a number of financial instruments, none of which are held for trading purposes. The Seminary estimates that the fair value of its financial instruments at June 30, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position The carrying amount reported on the statement of financial position for the Seminary's notes payable approximate fair value based on the borrowing rates that are currently available to the Seminary.

The Seminary maintains pooled investment accounts for its donor-restricted and board-designated endowments. The carrying value of the pooled investment accounts, at June 30, 2021 and 2020, included in investments above was $190,339,021 and $149,039,238, respectively.

The Seminary holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

6. FUNDS HELD IN TRUSTS BY OTHERS

Funds held in trusts by others consist of the following at June 30:

	2021	2020
Residual interest in trusts held by others:		
Newman and Lena Harris Theological Memorial Fund	$ 299,041	$ 247,518
Beeson Memorial Scholarship Fund	716,997	567,228
Sallie Maude Jones Fund	342,058	272,497
Viola B. McEwen Trust	1,220,819	1,015,981
The Howard and Zeta Orchard Charitable Trust	163,975	127,888
Total	$ 2,742,890	$ 2,231,112

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant, and equipment, net consist of the following at June 30:

	2021	2020
Land	$ 7,624,847	$ 7,624,847
Buildings	94,649,044	93,900,736
Furniture, fixtures, and equipment	25,369,809	24,772,812
Library books	11,481,911	11,194,025
	139,125,611	137,492,420
Accumulated depreciation	(56,956,868)	(54,050,650)
Property, plant, and equipment, net	$ 82,168,743	$ 83,441,770

Depreciation expense for the years ended June 30, 2021 and 2020 was $2,726,217 and $3,202,355, respectively.

8. LINE OF CREDIT

The Seminary has available an unsecured on demand line of credit with a bank which provides for borrowings up to $7,000,000. The purpose of the line of credit is to provide cash flow for operations. Interest is payable monthly at an optional rate as requested by the Seminary of either LIBOR plus 1.70% or the bank's base rate as further defined in the line of credit agreement. Any outstanding borrowings are due upon demand. No amounts were outstanding at June 30, 2021 and 2020.

9. NOTES PAYABLE

Notes payable consists of the following:

	2021	2020
Note payable - bank, payable in monthly installments of $40,403 including interest at a rate of 3.25% through December 31, 2031 with a final payment of $41,044 due January 1, 2032	4,336,872	4,674,755
	4,336,872	4,674,755
Less current portion	(349,051)	(337,904)
Total	$ 3,987,821	$ 4,336,851

The above notes are secured by substantially all real property and improvements thereon of the Seminary with a net book value of approximately $74,544,000 and $70,989,000 at June 30, 2021 and 2020, respectively, and an assignment of leases and rents covering real property of the Seminary.

Annual maturities of notes payable subsequent to June 30, 2021, are as follows:

2022	349,051
2023	360,565
2024	372,156
2025	384,737
2026	397,428
Thereafter	2,472,935
	$ 4,336,872

10. ANNUITIES PAYABLE AND TRUST OBLIGATIONS

Contributions received by the Seminary under gift annuity and life income agreements are recorded at fair value at the date of the contribution. Under the terms of these agreements, the Seminary holds the assets contributed and makes periodic payments of a fixed amount to the annuitant or beneficiary for the remainder of the annuitant's or beneficiary's lifetime. Total assets held under gift annuity agreements at June 30, 2021 and 2020, amount to $6,855,448 and $5,905,675, respectively. Total assets recorded under life income agreements at June 30, 2021 and 2020 amount to $583,735 and $473,471, respectively. Annuities payable and trust obligations are carried at fair value measured as the net present value of the obligations and calculated using the applicable federal rates, which range from 4% to 6% and life expectancy tables. Annuities payable total $1,883,801 and $1,964,853, at June 30, 2021 and 2020, respectively. Trust obligations under life income agreements total $1,056,583 and $386,949, at June 30, 2021 and 2020, respectively.

To accept annuities written in the state of Wisconsin, the Seminary is required by state law to limit investments in the common stock of a single corporation to 3% of total investments and investments in a single issuer and its affiliates other than the government of the United States to 10% of total investments. To accept annuities written in the state of California, the Seminary is required by state law to have a trust company invest those funds in a separate trust account with equity investments limited to 50% of total investments. To accept annuities written in the state of Florida, the Seminary is required by state law to maintain a segregated trust with equity investments (including mutual funds) limited to 50% of total investments with no more than 10% of any one stock or fund. The Seminary believes it is in compliance with the respective investment restrictions as applicable to annuities written in each respective state.

11. RETIREMENT PLAN

All regular employees are eligible for participation in a fully funded defined contribution retirement plan (the Plan) that operates under Section 403(b) of the Internal Revenue Code (IRC). Employees are eligible upon hire to defer a portion of their compensation into the Plan. An employee becomes eligible for employer contributions after completing two years of service, defined by the Plan as the first calendar year corresponding with or commencing on the anniversary date of his or her date of hire during which the employee works a minimum of 1,000 hours. The Seminary will contribute 4% of the participant's compensation to the Plan with no match from the participant required or the Seminary contributes 6% of the participant's compensation to the Plan with a mandatory 2% match required by the participant after completing two years of service. Contributions may be invested in traditional and variable annuities provided by the Teachers Insurance and Annuity Association (TIAA) or to buy accumulation units, or shares of participation in investment portfolios provided by the College Retirement Equities Fund (CREF). Seminary contributions to the plan were $598,604 and $575,340 for the years ended June 30, 2021 and 2020, respectively.

12. INCOME TAXES

The Seminary is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 512(a)(1) of the code, is subject to Federal income tax. The Seminary's Internal Revenue Service (IRS) Form 990 (Returns of Organizations Exempt from Income Tax) for 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they are filed.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Seminary and recognize a tax liability if the Seminary has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. The Seminary has analyzed its tax positions and has concluded that as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

13. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2021	2020
Subject to expenditure for specified purpose:		
Unspent endowment fund gains and term endowments restricted for:		
Financial aid	$ 39,391,255	$ 19,971,156
Operations	26,081,949	14,910,370
Academic chairs	10,334,389	4,931,678
Capital projects	433,926	243,350
Other purpose restrictions:		
Financial aid	20,618,915	15,451,384
Operations	10,109,040	6,289,524
Academic chairs	37,172	37,172
Capital projects	1,426,148	717,350
	108,432,794	62,551,984
Subject to the passage of time:		
Gifts	2,019,296	2,920,852
Subject to restriction in perpetuity:		
Endowment funds restricted in perpetuity:		
Financial aid	58,555,333	56,018,432
Operations	33,487,478	33,475,342
Academic chairs	21,479,407	19,345,180
Capital projects	500,000	500,000
Other funds perpetual in nature:		
Student loans	1,413,332	1,410,445
Annuity funds	794,732	718,092
Life income funds	513,847	399,437
Trust funds	2,742,890	2,231,112
	119,487,019	114,098,040
Total net assets with donor restrictions	$ 229,939,109	$ 179,570,876

The Board of Trustees at the Seminary has several standing board policies or approved board resolutions that affect the presentation of board-designated net assets. Net assets without donor restriction including board-designated net assets consist of the following as of June 30:

	2021	2020
Net assets without donor restrictions:		
Undesignated	$ 6,832,934	$ 4,593,266
Board-designated		
Capital reserves	2,884,476	2,000,957
Quasi-endowment	509,066	458,844
Operational reserve	656,211	648,711
Centennial celebration	395,033	198,411
New initiatives	500,000	250,000
Annuity and life income	4,223,096	3,067,199
Net investment in plant and equipment	77,844,518	78,780,865
Total	$ 93,845,334	$ 89,998,253

The Seminary has buildings on two campuses with approximately 729,000 square feet of space. Fourteen of those buildings with 385,000 in square footage range in age from 20 to 70 years. The minimal future capital renewal funds needed to maintain these buildings in excellent condition is estimated at $12,000,000. As a result, the Board of Trustees established a capital reserve pool with a goal to consistently resource these reserves with sufficient dollars to ensure that the Seminary's buildings are well maintained for the long-term. As of June 30, 2021, the capital reserves has grown to $2,884,476.

The Board of Trustees has established a quasi-endowment pool into which they may designate special gifts or operating surpluses, and the annual amount spent from it, if any, is to be based on that year's board-approved spending rate. In addition, an operational reserve pool was established so that the Board of Trustees may draw upon the funds in event of financial distress or an immediate operations need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

A new initiatives pool was established during the year ended June 30, 2020, to pilot initiatives that are determined to have the potential for positive operating results and that support the Seminary's strategic plan and help create the Seminary of the future. Additionally, during the year ended June 30, 2020, a centennial celebration fund was established to support activities related to the upcoming centennial of the Seminary.

14. LIQUIDITY AND FUNDS AVAILABLE FOR OPERATIONS

Of the $39,669,357 of cash and cash equivalents included with current assets on the statement of financial position, $33,495,019 of this cash was considered in excess of daily cash requirements and held in short-term, readily available investments. These significant balances are more than the current liabilities with the excess of $36,585,556 sufficient to cover 100% of the 2021 fiscal year's operating expense level of $27,854,730.

Asbury's experience with the collections of accounts receivable from students ($2,567,442 on June 30, 2021), has been strong with a bad debt allowance of only $100,000. Asbury's experience with the collection of contributions receivable from donors ($1,180,307 as of June 30, 2021) has been strong with an allowance for uncollectible pledges of only $50,000, also. The allowances have proven sufficient for several years.

Cash inflows from students is concentrated in September and February and approximates $10,000,000 annually. Asbury's student headcount, hours sold, and new student enrollment are at historic highs.

In addition, purpose-restricted gifts available for annual operations averaged about $5,900,000 in 2020 and 2021. The cash paid-out from Asbury's endowment exceeded $7,000,000 annually. As of October 31, 2021, there has been no change in management's expectations or in the spending policies governing the payout from the endowment.

The Seminary's financial assets available within one year at December 31, 2021 and 2020, for general expenditure are as follows:

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 39,669,357	$ 24,853,357
Accrued income receivable	35,243	37,751
Student accounts receivable	2,567,442	2,894,343
Contributions receivable due for payment in next fiscal year	1,180,307	2,712,024
Funds functioning as endowment available for operations	509,066	458,844
Purpose restricted gifts previously received and available to support operations	5,464,129	6,314,461
Endowment payout for the next fiscal year approved by the Board of Trustees	7,453,465	7,324,967
Financial assets available in one year	56,879,009	44,595,747
Bank line of credit (no current amounts outstanding)	7,000,000	7,000,000
Total financial assets and other liquidity resources	$ 63,879,009	$ 51,595,747

15. ENDOWMENTS

The Seminary's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions.

Interpretation of Relevant Law

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Seminary's Board of Trustees as authorized by Kentucky law, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Seminary, including Seminary counsel, and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Seminary classifies as donor restricted net assets the historic dollar value of assets held as donor restricted endowment, including any subsequent gifts and any accumulations to donor restricted endowments made in accordance with the direction of the applicable gift instruments.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions. Donor-restricted endowments are classified as net assets with donor restriction and board designated endowments are classified as net assets without donor restrictions consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Fund Act ("UPMIFA").

The Seminary has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with UPMIFA, the Seminary considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund,
(2) The purpose of the Seminary 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 the appreciation of investments,
(6) Other resources of the Seminary,
(7) The investment policies of the Seminary.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Seminary to retain as a fund of perpetual duration. During the 2021 and 2020, there were no deficiencies of this nature.

Return Objectives and Risk Parameters

The Seminary has adopted investment and spending policies for endowment assets to allow the endowment funds to grow and offset any normal inflationary impact and, at the same time, provide reasonable and prudent spending income generated by the endowment funds. To accomplish this, the Seminary's investment objectives have been established to preserve purchasing power, achieve a balance between income returns and growth of principal and to seek long term growth of principal.

Strategies Employed for Achieving Objectives

The Seminary has established a strategic asset allocation which provides for diversification among asset classes and the achievement of its investment objectives within the Seminary's established risk tolerance parameters.

Pursuant to a total return investment policy, the Seminary has approved an appropriation of net investment appreciation in an amount determined to be prudent considering the Seminary's long and short term needs, present and anticipated financial requirements, and expected total return on investments, price level trends, and general economic conditions.

Spending Policy and How Investment Objectives Relate to Spending Policy

Under the Seminary's current endowment spending policy, a board approved percentage of the moving average of the fair value during the previous three years is made available to support current operations. Annual distributions are made in accordance with donor requirements and policy guidelines. For the years ended June 30, 2021 and 2020, the Seminary approved a spending policy of 5.0% of the moving average of the fair value during the previous three years. Certain endowment funds are subject to donor required spending policy limits which range from 4.8% to 5.0% of the moving average of the fair value during the previous three years.

In establishing this policy, the Seminary considered the long-term expected return on its assets held for endowment. Accordingly, over the long term, the Seminary expects the current spending policy to allow its endowment to grow at an average of 4.0% to 5.0% annually. This is consistent with the Seminary's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Composition of endowment net assets at June 30, 2021 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 509,066	$ -0-	$ 509,066
Original donor-restricted gift amounts held in perpetuity	-0-	114,022,218	114,022,218
Accumulated investment gains	-0-	76,241,519	76,241,519
Total endowment funds	$ 509,066	$ 190,263,737	$ 190,772,803

Changes in endowment net assets for the year ended June 30, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 458,844	$ 149,395,508	$ 149,854,352
Private gift, grants and board designation	-0-	4,619,196	4,619,196
Investment return, net	-0-	44,962,922	44,962,922
Appropriation of endowment assets for operations	250,000	(8,713,889)	(8,463,889)
Distribution from board-designated endowment pursuant to policy	(199,778)	-0-	(199,778)
Endowment net assets, end of year	$ 509,066	$ 190,263,737	$ 190,772,803

Composition of endowment net assets at June 30, 2020 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 458,844	$ -0-	$ 458,844
Original donor-restricted gift amounts held in perpetuity	-0-	109,338,954	109,338,954
Accumulated investment gains	-0-	40,056,554	40,056,554
Total endowment funds	$ 458,844	$ 149,395,508	$ 149,854,352

Changes in endowment net assets for the year ending June 30, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 243,954	$ 149,678,559	$ 149,922,513
Private gift and grants	265,112	759,872	1,024,984
Investment return, net	-0-	5,871,014	5,871,014
Appropriation of endowment assets for operations	-0-	(6,913,937)	(6,913,937)
Distribution from board-designated endowment pursant to policy	(50,222)	-0-	(50,222)
Endowment net assets, end of year	$ 458,844	$ 149,395,508	$ 149,854,352

16. FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Seminary. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are both allocated based on square footage, as well as salary and benefits, which are allocated based on estimates of time and effort.

Expenses, summarized by functional classifications for the year ended June 30, 2021, are as follows:

	Program Services					Supporting Services		
	Instructional	Academic Support	Student Services	Public Service	Auxiliary Enterprises	Management & General	Fundraising and Development	Total Expenses
Salaries & wages	$ 6,875,574	$ 1,462,500	$ 1,894,204	$ 19,666	$ 955,921	$ 1,773,755	$ 930,666	$ 13,912,286
Pension plan	292,293	61,485	70,481	-	26,998	98,274	49,073	598,603
Other benefits	778,831	198,510	279,221	-	174,338	459,356	105,923	1,996,179
Payroll taxes	468,826	95,014	116,103	107	55,020	123,818	60,813	919,701
Legal	2,841	-	-	-	-	101,049	-	103,890
Accounting	-	-	-	-	-	79,062	-	79,062
Advertising & promotion	11,038	-	3,080	-	1,136	258,045	-	273,299
Office expenses	1,830,708	943,161	343,368	5,978	837,700	658,286	186,424	4,805,625
Information technology	-	-	-	-	-	1,233	-	1,233
Royalties	64,500	-	-	-	-	-	-	64,500
Occupancy	144,624	67,538	52,267	-	672,776	69,863	-	1,007,068
Travel	121,577	4,696	26,899	-	-	24,489	16,659	194,320
Interest	-	-	-	-	-	146,056	-	146,056
Depreciation	477,224	260,784	201,820	-	1,516,626	269,763	-	2,726,217
Insurance	-	-	-	-	-	251,926	-	251,926
Other expenses	431,470	50,815	42,928	-	59,076	80,796	109,680	774,765
Total expenses by function	$ 11,499,506	$ 3,144,503	$ 3,030,370	$ 25,751	$ 4,299,591	$ 4,395,771	$ 1,459,238	$ 27,854,730

Expenses, summarized by functional classifications for the year ended June 30, 2020, are as follows:

	Program Services					Supporting Services		
	Instructional	Academic Support	Student Services	Public Service	Auxiliary Enterprises	Management & General	Fundraising and Development	Total Expenses
Salaries & wages	$ 6,894,367	$ 1,303,516	$ 1,895,014	$ 16,364	$ 862,868	$ 1,958,182	$ 838,155	$ 13,768,466
Pension plan	295,885	51,008	68,364	-	26,133	88,510	45,437	575,337
Other benefits	704,411	184,524	260,502	-	136,918	395,602	98,936	1,780,893
Payroll taxes	454,009	84,092	119,201	-	50,709	126,573	54,246	888,830
Legal	923	-	-	-	-	24,991	-	25,914
Accounting	-	-	-	-	-	54,428	-	54,428
Advertising & promotion	13,196	-	5,687	-	5,449	310,669	388	335,389
Office expenses	2,436,750	829,105	359,425	14,824	836,632	890,736	389,583	5,757,055
Royalties	107,486	-	-	-	-	-	-	107,486
Occupancy	148,794	69,077	53,459	-	686,927	71,456	-	1,029,713
Travel	258,417	8,933	76,171	2,027	1,757	72,751	79,961	500,017
Interest	-	-	-	-	-	160,796	-	160,796
Depreciation	560,572	306,330	237,068	-	1,781,507	316,878	-	3,202,355
Insurance	-	-	-	-	-	284,019	-	284,019
Other expenses	346,975	57,659	32,420	-	48,546	46,785	115,506	647,891
Total expenses by function	$ 12,221,785	$ 2,894,244	$ 3,107,311	$ 33,215	$ 4,437,446	$ 4,802,376	$ 1,622,212	$ 29,118,589

17. CONCENTRATIONS OF CREDIT RISK

In the normal course of business, the Seminary maintains cash balances of certain operating accounts with banks. As of June 30, 2021 and 2020 and at times during the course of the years then ended, the balances on some of these accounts exceeded the $250,000 insurance protection provided by the Federal Deposit Insurance Corporation (FDIC) for interest bearing transaction accounts. The Seminary has not experienced any losses on such accounts and does not believe that it is subject to significant credit risk related to the accounts.

The Seminary has significant investments in common stocks, mutual funds, exchange traded funds, and alternative investments and is, therefore, subject to concentrations of credit risk. Investment decisions are made by investment managers engaged by the Seminary and the investments are monitored by the Board of Trustees. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Seminary.

Included in accounts receivable are student accounts receivable that potentially subject the Seminary to credit risk. The Seminary extends unsecured credit to students and parents of dependent students in connection with their studies. As of June 30, 2021 and 2020, the carrying amount of accounts receivable that are past due ninety days or more totals approximately $771,545 and $682,678, respectively.

18. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2021, the Seminary received contributions of $738,481 from the Board of Trustee members and the President and his Cabinet. Additionally, $10,000 are included within contribution receivables at June 30, 2021 from these parties. During the year ended June 30, 2020, the Seminary received contributions of $287,093 from Board of Trustee members and the President and his Cabinet. Additionally, $139,200 are included within contribution receivables at June 30, 2020, from these parties.

19. SUBSEQUENT EVENTS

On July 1, 2021, the Seminary entered into a Contribution and Assumption Agreement (the agreement) with Seedbed, Inc, (Seedbed), a wholly owned subsidiary of the Seminary formed on April 12, 2021. In accordance with the agreement, the Seminary transferred approximately $1,761,000 of cash, $675,000 of inventory, and $11,600 in other assets. Prior to this transfer Seedbed held no assets and had no activity.

20. FINANCIAL RESPONSIBILITY

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations.

Property, Plant, and Equipment net,	Amount
Ending balance for the year ended,	
6/30/2020 pre-implementation	$ 81,950,760
Less subsequent depreciation and disposals	(2,079,286)
Pre-implementation property, plant, and equipment	79,871,474
Ending balance for the year ended,	
6/30/2020 post-implementation	1,491,010
Property, plant and equipment acquired without debt subsequent	
to June 30, 2019, post implementation	1,694,690
Disposal related to property, plant, and equipment acquired	
after June 30, 2019, post-implementation	(241,500)
Depreciation related to property, plant, and equipment acquired	
after June 30, 2019, post-implementation	(646,931)
Post-implementation property, plant, and equipment	2,297,269
Total property, plant, and equipment, net 6/30/2021	$ 82,168,743

SUPPLEMENTAL SCHEDULE

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

	Federal AL Number		Federal Expenditures
Federal Grantor / Program Title			
MAJOR PROGRAM			
Student Financial Assistance - Cluster			
U.S. Department of Education:			
Federal Direct Student Loans	84.268	$	7,000,351
Federal Work-Study Program	84.033		172,718
Total Student Financial Assistance - Cluster		$	7,173,069
Total Major Program		$	7,173,069
Total Expenditures of Federal Awards		$	7,173,069

See report of independent auditors and accompanying notes to the schedule.

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Asbury Theological Seminary (the Seminary).

The grant revenue amounts received and expensed are subject to audit and adjustment. If any expenditure is disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Seminary. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations. The Seminary did not elect to use the 10% de minimis indirect cost rate and no amounts were provided to subrecipients.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

3. FEDERAL DIRECT STUDENT LOANS

For the year ended June 30, 2021, the Seminary processed loans of $7,000,351 (net of loan and origination fees) of new loans under the Federal Direct Student Loans Program (Assistance Listing Number (AL) No. 84.268) which includes unsubsidized and Plus loans for Graduate Students). The Seminary is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program. Accordingly, it is not practical to determine the balance of loans outstanding to students and former students of the Seminary under the program at June 30, 2021.

4. FEDERAL WORK-STUDY PROGRAM

The Seminary administers a Federal Work-Study Program (AL No. 84.033) funded by the United States Department of Education. Total program disbursements under the program for the year ended June 30, 2021 follows:

	Institution Amount	Federal Amount	Total
Earned compensation	$ 52,268	$ 162,459	$ 214,727
Administrative cost allowance	-0-	10,259	10,259
	$ 52,268	$ 172,718	$ 224,986

ASBURY THEOLOGICAL SEMINARY

FINANCIAL RESPONSIBILITY COMPOSITE SCORE
YEAR ENDED JUNE 30, 2021

	"Financial Responsibility Supplemental Schedule"				
Line		**Primary Reserve Ratio:**			
Number					
1	Statement of Financial Position - Total net assets without donor restrictions		Net assets without donor restrictions	$ -	$93,845,334
2	Statement of Financial Position - Total net assets with donor restrictions		Net assets with donor restrictions		229,939,109
3	None		Secured and Unsecured related party receivable		
4	None		Unsecured related party receivable		
5	Statement of Financial Position - Property, plant and equipment, net		Property, plant and equipment, net (includes Construction in progress)	82,168,743	
6	Footnote 20 - Pre-implementation property, plant, and equipment		Property, plant and equipment pre-implementation		79,871,474
7	None		Property, plant and equipment post-implementation with outstanding debt for original purchase		
8	Footnote 20 - Post-implementation property, plant, and equipment		Property, plant and equipment post-implementation without outstanding debt for original purchase		2,297,269
9	None		Construction in progress		
10	None		Lease right-of-use asset, net		
11	None		Lease right-of-use asset, pre-implementation		
12	None		Lease right-of-use asset, post-implementation		
13	None		Intangible assets		
14	None		Post-employment and pension liabilities		
15	Statement of Financial Position - Note Payable long-term purposes (both current and non current)		Long-term debt - for long term purposes	4,336,872	
16	Statement of Financial Position - Note Payable long-term purposes (both current and non current)		Long-term debt - for long term purposes pre-implementation		4,336,872
17	None		Long-term debt - for long term purposes post-implementation		
18	None		Line of Credit for Construction in progress		
19	None		Lease right-of-use asset liability		
20	None		Pre-implementation right-of-use asset liability		
21	None		Post-implementation right-of-use asset liability		
22	Note to the financial statement, Note 13, line Annuity funds		Annuities with donor restrictions		794,732
23	None		Term endowments with donor restrictions		
24	Note to the financial statement, Note 13, line Life Income funds		Life income funds with donor restrictions		513,847
25	Statement of Financial Position - Perpetual in Nature less Life income funds and Annuity funds from above.		Net assets with donor restrictions: restricted in perpetuity		118,178,440
			Total Expenses and Losses:		
26	Statement of Activities - Total Operating Expenses		Total expenses without donor restrictions - taken directly from Statement of Activities		27,854,730
27	None		Non-Operating and Net Investment (loss)		
28	None		Net investment losses		
29	Statement of Activities - Pension-related changes other than periodic pension*		Pension -related changes other than net periodic costs		

ASBURY THEOLOGICAL SEMINARY

FINANCIAL RESPONSIBILITY COMPOSITE SCORE
YEAR ENDED JUNE 30, 2021

Line Number			Equity Ratio:	
			Modified Net Assets:	
30	Statement of Financial Position - Net Assets without Donor Restrictions		Net assets without donor restrictions	93,845,334
31	Statement of Financial Position - Total Net Assets with Donor Restriction		Net assets with donor restrictions	229,939,109
32	None		Intangible assets	
33	None		Secured and Unsecured related party receivables	
34	None		Unsecured related party receivables	
			Modified Assets:	
35	Statement of Financial Position - Total assets		Total assets	333,796,449
36	None		Lease right-of-use asset pre-implementation	
37	None		Pre-implementation right-of-use asset liability	
38	None		Intangible assets	
39	None		Secured and Unsecured related party receivables	
40	None		Unsecured related party receivables	
			Net Income Ratio:	
41	Statement of Activities - Change in Net Assets Without Donor Restrictions		**Change in Net Assets Without Donor Restrictions**	3,847,081
42	Statement of Activities - Without donor restriction column total revenue, gains, and other support + Changes in net assets from non-operating activities less Investment return designated for current operations		**Total Revenues and Gains**	31,638,427

ASBURY THEOLOGICAL SEMINARY

FINANCIAL RESPONSIBILITY COMPOSITE SCORE
YEAR ENDED JUNE 30, 2021

Calculating the Composite Score				
	Lines from Schedule		Amount	Ratio
*Primary Reserve Ratio = Expendable Net Assets	=1+2-22-24-25-6-8+16		126,465,553	4.5402
/ Total expenses and Losses Without Donor Restrictions	=26		27,854,730	
Equity Ratio = Modified Net Assets	=30+31		323,784,443	0.9700
/ Modified assets	=35		333,796,449	
Net Income Ratio = Change in Net Assets without Donor Restrictions	=41		3,847,081	0.1216
/ Total Revenue and Gains Without Donor Restrictions	=42		31,638,427	
Step 1: Calculate the strength factor score for each ratio by using the following algorithms:				
Primary Reserve strength factor score = 10 x the primary reserve ratio result				
Equity strength factor score = 6 x the equity ratio result				
Negative net income ratio result:	Net Income strength factor = 1 + (25 x net income ratio result)			
Positive net income ratio result:	Net income strength factor = 1 + (50 x net income ratio result)			
Zero result for net income ratio:	Net income strength factor = 1			
If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3.				
If the strength factor score for any ratio is less than or equal to -1, the strength factor score for the ratio is -1.				
Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores				
Primary Reserve weighted score = 40% x the primary reserve strength factor score				
Equity weighted score = 40% x the equity strength factor score				
Net Income weighted score = 20% x the net income strength factor score				
Composite Score = the sum of all weighted scores				
Round the composite score to one digit after the decimal point to determine the final score				
RATIO	**Ratio**	**Strength Factor**	**Weight**	**Composite Scores**
Primary Reserve Ratio	4.5402	3.0000	40%	1.2
Equity Ratio	0.9700	3.0000	40%	1.2
Net Income Ratio	0.1216	3.0000	20%	0.6
TOTAL Composite Score - Rounded				**3.0**

CPAs / ADVISORS

blue

Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 *fax* 859.253.1384 *email* blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Asbury Theological Seminary
Wilmore, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Asbury Theological Seminary (the Seminary), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated –DATE--.

<u>Internal Control Over Financial Reporting</u>

In planning and performing our audit of the financial statements, we considered the Seminary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Seminary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Seminary's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Seminary's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Seminary's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seminary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
October 20, 2021

CPAs / ADVISORS

blue

Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 *fax* 859.253.1384 *email* blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Asbury Theological Seminary
Wilmore, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Asbury Theological Seminary's (the Seminary) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Seminary's major federal programs for the year ended June 30, 2021. The Seminary's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Seminary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Seminary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Seminary's compliance.

Opinion on Each Major Federal Program

In our opinion, the Seminary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying schedule of findings and questioned costs as items Finding No. 2021-001 and Finding No. 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

The Seminary's response to the noncompliance finding identified in our audit is described in the accompanying schedule of finding and questioned costs. The Seminary's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Seminary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Seminary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Seminary's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exists that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001 and 2021-002, that we considered to be a significant deficiencies.

The Seminary's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Seminary's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
October 20, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified opinion

Internal control over financial reporting:

Material weakness(es) identified?	______ yes	X none reported
Significant deficiency(s) identified that are not considered to be material weaknesses?	______ yes	X none reported

Noncompliance material to financial statements noted?	______ yes	X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	______ yes	X none reported
Significant deficiency(s) identified that are not considered to be material weaknesses?	X yes	______ none reported

Type of auditor's report issued on compliance for major programs: unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	X yes	______ no

Identification of major program:

The program tested as a major federal program for the year ended June 30, 2021, is the United States Department of Education, Student Financial Assistance Cluster of Programs. Individual programs which are included in the Student Financial Assistance Cluster include the following:

AL Number	Name of Federal Program or Cluster
84.268	Federal Direct Student Loans
84.033	Federal Work-Study Program

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee: __X__ yes ______ no

Section II - Findings - Financial Statement Audit

Our audit disclosed no findings that are required to be communicated under *Government Auditing Standards* for the year ended June 30, 2021.

Section III - Findings and Questioned Costs - Major Federal Awards Program Audit

Finding No. 2021-001: Enrollment Reporting

Federal Agency: U.S. Department of Education

AL Number and Title: 84.268 – Federal Direct Student Loan Program

Criteria: When a Direct Loan was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student ceased to be enrolled on at least a halftime basis or failed to enroll on at least a half-time basis for the period for which the loan was intended, the institution must report the change in its next updated Enrollment Reporting Roster file (due within 60 days of the change) to the lender or the guaranty agency. The school is responsible for timely reporting whether they report directly or via a third-party servicer.

Condition: In testing individual student status changes, we selected a sample of 19 students who had received student financial assistance and had withdrawn or graduated from the Seminary during the fiscal year as identified by internal records. We compared the enrollment information and withdrawal or graduation date per the Seminary's records to the information reported to the National Students Loan Data System (NSLDS). We noted the status changes for 3 graduated students and 2 withdrawn students were not reported to NSLDS timely.

Cause: The Seminary did not have a control in place to ensure timely reporting of all status changes.

Effect: Without timely notification of withdrawals or graduation, the NSLDS is unable to accurately determine when a student enters repayment status.

Recommendation: We recommend that the Seminary establish controls to ensure student enrollment status in the NSLDS is updated in a timely manner to ensure compliance with Federal requirements.

View of responsible officials: The Seminary concurs with the finding. The Registrar’s Office Enrollment Official will run a report to check for changes in enrollment status every 30 days. We will continue our regular reporting process through the Clearinghouse. The purpose of reviewing enrollment status changes is to capture individual situations that would not be reported in a timely manner through the Clearinghouse. For those instances, the Registrar’s Office Enrollment Official will directly report individual students to NSLDS.

Finding No. 2021-002:	Special Tests and Provisions – Return of Title IV Funds
Federal Agency:	U.S. Department of Education
AL Number and Title:	84.268 – Federal Direct Student Loan Program

Criteria: Per 34 CFR 668.21 If a student does not begin attendance in a payment period or period of enrollment the institution must return all Direct Loan funds that were credited to the student's account at the institution or disbursed directly to the student for that payment period or period of enrollment. Additionally, the institution must return those funds no later than 30 days after the date that the intuition becomes aware that the student will not or has not begun attendance.

Condition: In testing students who withdrew during the period, we selected a sample of 6 students who had received student financial assistance and had withdrawn from the Seminary during the fiscal year as identified by internal records. For one of the students selected, there was no evidence that the Seminary returned the required portion of the Title IV aid to the Department of Education when the Seminary became aware that the student did not begin attendance.

Questioned Costs: Questioned costs consist of funds not returned to the Department of Education (the “Department”) in the amount of $10,142.

Cause: The Seminary did not have a control in place to ensure that students who received Direct Loans and who did not begin attendance had Title IV funds returned to the Department in a timely manner.

Effect: Without proper monitoring of Title IV returns, the Seminary is at risk of noncompliance with the above referenced criteria.

Recommendation: We recommend that the Seminary establish controls to ensure the return of Title IV funds are calculated properly and returned timely.

View of responsible officials: The Associate Vice President of Enrollment Management and Registrar will work with the Provost to ensure a new check is implemented to ensure students who do not begin attendance are identified, timely.

Finding No. 2020-001: Special Test and Provisions – Return of Title IV Funding

Federal Agency: U.S. Department of Education

AL Number and Title: 84.268 – Federal Direct Student Loan Program

Criteria: 34 CFR Section 668.22(f) states that the percentage of the payment period completed or period of enrollment completed is determined in the case of a program that is measured in credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date. The total number of calendar days in a payment or enrollment period includes all days within the period, except that institutionally scheduled breaks of at least five consecutive calendar days (including module programs that a student is not required to attend for five consecutive calendar days) and days in which the student was on an approved leave of absence are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

Condition: The number of calendar days in the enrollment period was incorrectly calculated for the Fall semester in accordance with 34 CFR Section 668.22(f).

Cause: There was not a procedure in place to verify the accuracy of the number of days in the enrollment period used in the Return of the Title IV Funds calculation.

Effect: The number of days in the enrollment period was incorrectly calculated and used in the completion of the Return of Title IV Funds calculation. Consequently, an additional $57 needed to be returned to the Department of Education.

Recommendation: We recommend the Seminary review its current procedures in regards to reviewing the number of days in the enrollment period in order to ensure funds are being returned in the proper amount to the federal government.

Current year status: Resolved in the current year.

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Department of Education

Asbury Theological Seminary respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Blue & Company, LLC
250 West Main Street, Suite 2900
Lexington, Kentucky 40507

The finding from the schedule of findings and questioned costs for the year ended June 30, 2021 is discussed below. The finding is number consistently with the numbers assigned in the schedule.

2021-001 Finding
Asbury Theological Seminary (ATS) did not report 3 graduate and 2 withdrawn students who graduated and or ceased enrollment to National Students Loan Data System (NSLDS) in a timely manner.

Summary
The Seminary does not have control in place to ensure student who have withdrawn or graduated are reported timely to NSLDS, if the student is not included in a batch report.

Institution Response
The Seminary concurs with the finding. The Registrar's Office Enrollment Official will run a report to check for changes in enrollment status every 30 days. We will continue our regular reporting process through the Clearinghouse. The purpose of reviewing enrollment status changes is to capture individual situations that would not be reported in a timely manner through the Clearinghouse. For those instances, the Registrar's Office Enrollment Official will directly report individual students to NSLDS.

Estimated Completion Date: 9/7/2021 (First day of fall semester)

Responsible manager: Michael Salmeier, Registrar

2021-002 Finding
Asbury Theological Seminary (ATS) did not return $10,142 of Direct Loans to the Department of Education as a result of student never beginning attendance, timely.

Summary
The Seminary does not have control in place to ensure students who never began attendance had Title IV Funds returned timely.

Institution Response
The Associate Vice President of Enrollment Management and Registrar will work with the Provost to ensure a new check is implemented to ensure students who do not begin attendance are identified, timely.

Estimated Completion Date: 9/7/2021 (First day of fall semester)

Responsible manager: Randy Ozan, Associate Vice President of Enrollment Management