



ASBURY *theological*
SEMINARY

THE WHOLE BIBLE FOR THE WHOLE WORLD

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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ASBURY THEOLOGICAL SEMINARY

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REPORT OF INDEPENDENT AUDITORS

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, 2020 and 2019, 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, 2020 and 2019, 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.

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, 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. Such 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 30, 2020, 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 30, 2020

ASBURY THEOLOGICAL SEMINARY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	ASSETS	
	2020	2019
Current assets		
Cash and cash equivalents	\$ 24,853,357	\$ 18,534,405
Accrued income receivable	37,751	92,580
Accounts receivable, less allowance of \$50,000 in each year	2,894,343	2,747,612
Contributions receivable, less allowance of approximately \$45,000 in each year	2,712,024	2,948,758
Student loans receivable	25,752	35,543
Inventories	650,216	642,813
Prepaid expenses	461,258	311,591
Total current assets	31,634,701	25,313,302
Non-current assets		
Contributions receivable	2,592,204	4,547,775
Student loans receivable	484,882	445,712
Investments	159,185,450	159,498,705
Funds held in trusts by others	2,231,112	2,270,884
Property, plant, and equipment, net	83,441,770	85,153,115
Other assets	13,851	15,055
Total non-current assets	247,949,269	251,931,246
Total assets	\$ 279,583,970	\$ 277,244,548

See accompanying notes to financial statements.

ASBURY THEOLOGICAL SEMINARY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	2020	2019
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and payroll liabilities	\$ 1,416,295	\$ 1,421,969
Deposits and agency funds	1,135,374	977,033
Deferred revenues	424,128	842,262
Interest payable	12,487	13,365
Notes payable	337,904	326,697
Total current liabilities	3,326,188	3,581,326
Non-current liabilities		
Notes payable	4,336,851	4,674,733
Annuities payable	1,964,853	2,039,272
Trust obligations	386,949	381,103
Total non-current liabilities	6,688,653	7,095,108
Total liabilities	10,014,841	10,676,434
Net assets		
Without donor restrictions		
Undesignated	4,593,266	2,647,870
Board designated	6,624,122	5,782,121
Net investment in plant	78,780,865	80,166,740
Total net assets without donor restrictions	89,998,253	88,596,731
With donor restrictions		
Time restricted for future periods	2,920,852	2,425,750
Purpose restricted	62,551,984	62,241,598
Perpetual in nature	114,098,040	113,304,035
Total net assets with donor restrictions	179,570,876	177,971,383
Total net assets	269,569,129	266,568,114
Total liabilities and net assets	\$ 279,583,970	\$ 277,244,548

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) reinvested	-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

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues, gains, and other support:			
Tuition and fees	\$ 17,320,951	\$ -0-	\$ 17,320,951
Less scholarship allowances	(7,231,837)	-0-	(7,231,837)
Tuition and fees, net	10,089,114	-0-	10,089,114
Private gifts and grants	2,637,652	4,865,060	7,502,712
Government grants	-0-	183,732	183,732
Other revenue	2,023,149	532,277	2,555,426
Investment return designated for current operations	6,213	7,642,712	7,648,925
Sales and service of auxiliary enterprises	2,044,836	456,318	2,501,154
Total revenues and gains	16,800,964	13,680,099	30,481,063
Net assets released from restrictions	13,113,259	(13,113,259)	-0-
Total revenues, gains, and other support	29,914,223	566,840	30,481,063
Expenses:			
Program services:			
Instruction	12,612,576	-0-	12,612,576
Academic support	2,951,297	-0-	2,951,297
Student services	3,027,226	-0-	3,027,226
Public service	34,425	-0-	34,425
Auxiliary enterprises	4,433,807	-0-	4,433,807
Total program services	23,059,331	-0-	23,059,331
Supporting services:			
Management and general	4,653,844	-0-	4,653,844
Fundraising and development	1,634,472	-0-	1,634,472
Total expenses	29,347,647	-0-	29,347,647
Changes in net assets from operating activities	566,576	566,840	1,133,416
Non-operating			
Private gifts and grants	657,025	1,977,459	2,634,484
Annuity and life income agreements	252,270	63,454	315,724
Investment return (loss) reinvested	-0-	(383,455)	(383,455)
Change in value of funds held in trust by others	-0-	(58,727)	(58,727)
Other revenue	57,303	-0-	57,303
Loss due to liquidation of Perkins Loan program	(19,153)	-0-	(19,153)
Changes in net assets from non-operating activities	947,445	1,598,731	2,546,176
Changes in net assets	1,514,021	2,165,571	3,679,592
Net assets at the beginning of year	87,082,710	175,805,812	262,888,522
Net assets at the end of the year	\$ 88,596,731	\$ 177,971,383	\$ 266,568,114

See accompanying notes to financial statements.

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STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Changes in net assets	\$ 3,001,015	\$ 3,679,592
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	3,202,355	3,222,521
Loss due to liquidation of Perkins Loan program	-0-	19,153
Actuarial adjustment to annuity and trust obligations	192,816	401,003
Change in value of funds held in trust held by others	39,772	58,727
Net unrealized and realized losses (gains) on investments	(2,463,653)	(5,097,387)
Cash contributions restricted for capital improvements and endowment investment	(1,351,582)	(2,634,484)
Noncash contributions received	(2,686,339)	(594,293)
Proceeds from sale of donated securities	2,877,318	404,526
Investment income restricted for long-term investment	(1,162,534)	383,455
Net change in operating assets and liabilities:		
Accrued income receivable	54,829	(36,972)
Accounts receivable	(146,731)	(386,336)
Contributions receivable	2,192,305	1,992,940
Inventories	(7,403)	76,201
Prepaid expenses	(149,667)	(187,839)
Other assets	1,204	(12,551)
Accounts payable and payroll liabilities	(5,674)	(1,010,585)
Deposits and agency funds	158,341	177,296
Deferred revenues	(418,134)	1,405
Interest payable	(878)	(3,570)
Net cash flows from operating activities	3,327,360	452,802
Cash Flows from Investing Activities		
Purchases of investments	(43,554,413)	(72,891,285)
Proceeds from sales and maturities of investments	46,140,342	76,871,515
Purchase of property, plant, and equipment	(1,491,010)	(1,092,052)
Student loans	(159,386)	(141,921)
Student loan repayments	130,007	155,882
Change in cash restricted for federal Perkins loan program	-0-	1,133,918
Net cash flows from investing activities	1,065,540	4,036,057

See accompanying notes to financial statements.

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STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows from Financing Activities		
Cash contributions restricted for capital improvements and endowment investment	1,351,582	2,634,484
Proceeds received on annuity agreements	23,890	179,141
Contractual payments on annuity obligations	(291,125)	(547,333)
Contractual payments on trust obligations	5,846	(10,530)
Investment income restricted for long-term investment	1,162,534	(383,455)
Principal payments on notes payable	(2,326,675)	(6,197,493)
Payments on capital lease obligations	-0-	(160,475)
Proceeds from issuance on long term debt	2,000,000	5,135,040
Change in federal government advances for student loans	-0-	(14,286)
Net cash flows from financing activities	1,926,052	635,093
Net change in cash and cash equivalents	6,318,952	5,123,952
Cash and cash equivalents at beginning of year	18,534,405	13,410,453
Cash and cash equivalents at end of year	\$ 24,853,357	\$ 18,534,405
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest net of amounts capitalized	\$ 161,674	\$ 225,100
Student loans receivable assigned to the U.S. Department of Education in connection with liquidation of Perkins loan program	\$ -0-	\$ 46,473
Decrease in federal government advances for student loan assigned to the U.S. Department of Education in connection liquidation of Perkins loan program	\$ -0-	\$ 25,965
<u>Noncash investing and financing activities:</u>		
Donated securities	\$ 2,686,339	\$ 594,293

See accompanying notes to financial statements.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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 2020, the Seminary adopted ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This new standard deals with the recording of contributions with respect to exchange and non-exchange transactions. The Seminary has determined it has no transactions involving right of return or right of release and it has no conditional pledges or contributions. The adoption of ASU 2018-08 did not have a material effect on the accompanying financial statements.

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

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. 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, 2020 and 2019.

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.

Cash and Cash Equivalents

Cash equivalents are stated at cost, which approximates market value. The Seminary is required to maintain separate cash accounts for the Federal Work Study programs.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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, 2020 and 2019. 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.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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.

Deferred Revenue

Deferred revenues consist principally of prepaid rent and tuition.

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 October 30, 2020, which is the date the financial statements were available to be issued.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and subsequently ASU 2015-14 and 2020-05, *Revenue from Contracts with Customers: Effective Date for Certain Entities*. The core principle of this new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is permitted. Based on ASU 2020-05, the standard becomes effective for the Seminary in fiscal year

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2021. The Seminary has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

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.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This new standard, which the Seminary is not required to adopt until its year ending June 30, 2021, modifies the disclosure requirements on fair value measurements in Topic 820. The Seminary is currently evaluating the effect that the updated standard will have on the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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:

	2020	2019
Amounts due in less than one year	2,712,024	2,948,758
Amounts due from one to five years	2,561,879	4,760,335
Amounts due in more than five years	400,000	400,000
	<u>5,673,903</u>	<u>8,109,093</u>
Less allowance for uncollectible pledges	50,000	45,000
Less unamortized discount	319,675	567,560
Net contributions receivable	<u>\$ 5,304,228</u>	<u>\$ 7,496,533</u>

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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.

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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, 2020 and 2019.

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.

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The following tables set forth by level within the fair value hierarchy investment assets and liabilities as of June 30, 2020 and 2019, 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, 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
Health Care	1,409,142	-0-	-0-	1,409,142
Industrials	1,254,854	-0-	-0-	1,254,854
Information Technology	2,554,306	-0-	-0-	2,554,306
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	<u>\$ 73,949,361</u>	<u>\$ 3,291,929</u>	<u>\$ 2,231,112</u>	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				<u>\$ 161,416,562</u>
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	<u>\$ -0-</u>	<u>\$ 2,351,802</u>	<u>\$ -0-</u>	<u>\$ 2,351,802</u>

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Fair value measurements as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Money market mutual funds	\$ -0-	\$ 1,641,771	\$ -0-	\$ 1,641,771
Common stocks:				
Basic materials	2,265,833	-0-	-0-	2,265,833
Communication services	1,101,406	-0-	-0-	1,101,406
Energy	592,880	-0-	-0-	592,880
Financials	145,164	-0-	-0-	145,164
Healthcare	186,010	-0-	-0-	186,010
Industrials	1,373,494	-0-	-0-	1,373,494
Real estate	150,072	-0-	-0-	150,072
Technology	1,049,805	-0-	-0-	1,049,805
Mutual and exchange traded funds (ETF):				
Equity				
Large	17,106,512	-0-	-0-	17,106,512
Small/mid	28,944,468	-0-	-0-	28,944,468
Fixed Income				
Intermediate	9,375,689	-0-	-0-	9,375,689
Other	8,415,348	-0-	-0-	8,415,348
ETF				
Large	3,905,614	-0-	-0-	3,905,614
Intermediate	1,976,619	-0-	-0-	1,976,619
Other investments	-0-	83,137	-0-	83,137
Funds held in trust by others	-0-	-0-	2,270,884	2,270,884
Total investments and funds held in trust by others at fair value	\$ 76,588,914	\$ 1,724,908	\$ 2,270,884	80,584,706
Alternative investments*				77,047,722
Other				2,901,657
Cash				1,235,504
Total investments and funds held in trust by others				\$ 161,769,589
Liabilities at fair value:				
Annuities payable	\$ -0-	\$ 2,039,272	\$ -0-	\$ 2,039,272
Trust obligations	-0-	381,103	-0-	381,103
Total liabilities at fair value	\$ -0-	\$ 2,420,375	\$ -0-	\$ 2,420,375

*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.

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The Seminary's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances. There were no transfers between levels during the years ended June 30, 2020 and 2019.

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

	2020	2019
	<u> </u>	<u> </u>
Beginning balance	\$ 2,270,884	\$ 2,329,611
Purchases and issuances	-0-	-0-
Investment return/(loss), net	(39,772)	(58,727)
Total	<u>\$ 2,231,112</u>	<u>\$ 2,270,884</u>

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.

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

Alternative investment category, redemption frequency	Funds	2020	2019	Unfunded Commitments
Hedge funds:				
Hedge fund, annually (1)	4	\$ 12,219,194	\$ 12,579,019	-0-
Hedge fund, quarterly (1)	3	1,414,595	1,311,725	-0-
Hedge fund, monthly (1)	4	1,732,438	3,927,570	-0-
Commingled equity funds (6)	3	9,167,478	10,713,249	-0-
Proprietary funds:				
Private equity fund, non- redeemable (2)	12	22,089,390	18,685,100	10,368,306
Real estate fund, non-redeemable (3)	9	22,757,146	22,175,971	2,359,723
Timberland fund, non- redeemable (4)	1	214,111	911,137	-0-
Venture capital fund of funds, non-redeemable (5)	2	8,301,885	6,743,951	1,760,000
	<u>38</u>	<u>\$ 77,896,237</u>	<u>\$ 77,047,722</u>	<u>\$ 14,488,029</u>

- (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.

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- (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, 2020, 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, 2020 and 2019, included in investments above was \$149,039,238 and \$149,311,990, 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.

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6. FUNDS HELD IN TRUSTS BY OTHERS

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

	2020	2019
Residual interest in trusts held by others:		
Newman and Lena Harris Theological Memorial Fund	\$ 247,518	\$ 259,622
Beeson Memorial Scholarship Fund	567,228	579,784
Sallie Maude Jones Fund	272,497	278,482
Viola B. McEwen Trust	1,015,981	1,029,518
The Howard and Zeta Orchard Charitable Trust	127,888	123,478
Total	<u>\$ 2,231,112</u>	<u>\$ 2,270,884</u>

7. PROPERTY, PLANT AND EQUIPMENT, NET

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

	2020	2019
Land	\$ 7,624,847	\$ 7,624,847
Buildings	93,900,736	93,132,347
Furniture, fixtures, and equipment	24,772,812	24,306,626
Library books	11,194,025	10,944,790
	<u>137,492,420</u>	<u>136,008,610</u>
Accumulated depreciation	(54,050,650)	(50,855,495)
Property, plant, and equipment, net	<u>\$ 83,441,770</u>	<u>\$ 85,153,115</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$3,202,355 and \$3,222,521, respectively.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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, 2020 and 2019.

9. NOTES PAYABLE

Notes payable consists of the following:

	2020	2019
	<u>4,674,755</u>	<u>5,001,430</u>
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	4,674,755	5,001,430
	(337,904)	(326,697)
Less current portion	<u>\$ 4,336,851</u>	<u>\$ 4,674,733</u>
Total	<u>\$ 4,336,851</u>	<u>\$ 4,674,733</u>

The above notes are secured by substantially all real property and improvements thereon of the Seminary with a net book value of approximately \$70,989,000 and \$72,789,000 at June 30, 2020 and 2019, respectively, and an assignment of leases and rents covering real property of the Seminary.

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, 2020 and 2019, amount to \$5,905,675 and \$5,853,560, respectively. Total assets recorded under life income agreements at June 30, 2020 and 2019 amount to \$473,471 and \$458,506, 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 \$1,964,853 and \$2,039,272, at June 30, 2020 and 2019, respectively. Trust obligations under life income agreements total \$386,949 and \$381,103, at June 30, 2020 and 2019, respectively.

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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 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 \$575,340 and \$550,827 for the years ended June 30, 2020 and 2019, respectively.

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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 2017, 2018 and 2019 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, 2020 and 2019, 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.

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13. NET ASSETS

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

	2020	2019
Subject to expenditure for specified purpose:		
Unspent endowment fund gains and term endowments restricted for:		
Financial aid	\$ 19,971,156	\$ 15,843,591
Operations	14,910,370	20,120,005
Academic chairs	4,931,678	4,944,251
Capital projects	243,350	247,309
Other purpose restrictions:		
Financial aid	15,451,384	12,732,587
Operations	6,289,524	7,595,531
Academic chairs	37,172	37,174
Capital projects	717,350	721,150
	<u>62,551,984</u>	<u>62,241,598</u>
Subject to the passage of time:		
Gifts	2,920,852	2,425,750
Subject to restriction in perpetuity:		
Endowment funds restricted in perpetuity:		
Financial aid	56,018,432	56,186,813
Operations	33,475,342	32,615,223
Academic chairs	19,345,180	19,221,367
Capital projects	500,000	500,000
Other funds perpetual in nature:		
Student loans	1,410,445	1,439,673
Annuity funds	718,092	690,086
Life income funds	399,437	379,988
Trust funds	2,231,112	2,270,885
	<u>114,098,040</u>	<u>113,304,035</u>
Total net assets with donor restrictions	<u>\$ 179,570,876</u>	<u>\$ 177,971,383</u>

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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:

	2020	2019
Net assets without donor restrictions:		
Undesignated	\$ 4,593,266	\$ 2,647,870
Board-designated		
Capital reserves	2,000,957	2,026,685
Quasi-endowment	458,844	243,954
Operational reserve	648,711	517,498
Centennial celebration	198,411	-0-
New initiatives	250,000	-0-
Annuity and life income	3,067,199	2,993,984
Net investment in plant and equipment	78,780,865	80,166,740
Total	<u>\$ 89,998,253</u>	<u>\$ 88,596,731</u>

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, 2020, the capital reserves have grown to \$2,000,957. A total of \$1,696,000 in deferred maintenance projects is scheduled for elimination over the next five years.

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.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

14. LIQUIDITY AND FUNDS AVAILABLE FOR OPERATIONS

Of the \$24,853,357 of cash and cash equivalents included with current assets on the statement of financial position, \$21,330,851 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 \$21,527,169 sufficient to cover about 74% of the 2020 fiscal year's operating expense level of \$29,118,589.

Asbury's experience with the collections of accounts receivable from students (\$2,894,343 on June 30, 2020), has been strong with a bad debt allowance of only \$50,000. Asbury's experience with the collection of contributions receivable from donors (\$2,712,024 as of June 30, 2020) 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 \$5,000,000 in 2019 and 2020. The cash paid-out from Asbury's endowment exceeded \$7,000,000 annually. As of October 31, 2020, 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, 2020 and 2019, for general expenditure are as follows:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 24,853,357	\$ 18,534,405
Accrued income receivable	37,751	92,580
Student accounts receivable	2,894,343	2,747,612
Contributions receivable due for payment in next fiscal year	2,712,024	2,948,758
Funds functioning as endowment available for operations	458,844	761,452
Purpose restricted gifts previously received and available to support operations	6,314,461	3,943,780
Endowment payout for the next fiscal year approved by the Board of Trustees	7,324,967	7,128,872
Financial assets available in one year	44,595,747	36,157,459
Bank line of credit (no current amounts outstanding)	7,000,000	7,000,000
Total financial assets and other liquidity resources	\$ 51,595,747	\$ 43,157,459

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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.

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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 current and prior years, 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, 2020 and 2019, the Seminary approved a spending policy which ranged from 5.0% to 6.5% 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 6.25% of the moving average of the fair value during the previous three years.

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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, 2020 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 458,844	\$ -0-	\$ 458,844
Donor designated endowment funds			
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	<u>\$ 458,844</u>	<u>\$ 149,395,508</u>	<u>\$ 149,854,352</u>

Changes in endowment net assets for the year ended 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, grants and board designation	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 pursuant to policy	(50,222)	-0-	(50,222)
Endowment net assets, end of year	<u>\$ 458,844</u>	<u>\$ 149,395,508</u>	<u>\$ 149,854,352</u>

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Composition of endowment net assets at June 30, 2019 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 243,954	\$ -0-	\$ 243,954
Donor designated endowment funds			
Original donor-restricted gift amounts held in perpetuity	-0-	108,523,403	108,523,403
Accumulated investment gains	-0-	41,155,156	41,155,156
Total endowment funds	<u>\$ 243,954</u>	<u>\$ 149,678,559</u>	<u>\$ 149,922,513</u>

Changes in endowment net assets for the year ending June 30, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 243,954	\$ 148,046,675	\$ 148,290,629
Private gift and grants	-0-	1,882,478	1,882,478
Investment return, net	-0-	7,179,666	7,179,666
Appropriation of endowment assets for operations	-0-	(7,430,260)	(7,430,260)
Endowment net assets, end of year	<u>\$ 243,954</u>	<u>\$ 149,678,559</u>	<u>\$ 149,922,513</u>

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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, 2020, are as follows:

	Program Services					Supporting Services		Total Expenses
	Instructional	Academic	Student Services	Public Service	Auxiliary Enterprises	Management & General	Fundraising	
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	575,336
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	32,421	-	48,546	46,785	115,506	647,892
Total expenses by function	<u>\$ 12,221,785</u>	<u>\$ 2,894,244</u>	<u>\$ 3,107,311</u>	<u>\$ 33,215</u>	<u>\$ 4,437,446</u>	<u>\$ 4,802,376</u>	<u>\$ 1,622,212</u>	<u>\$ 29,118,589</u>

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Expenses, summarized by functional classifications for the year ended June 30, 2019, are as follows:

	Instructional	Academic	Student Services	Public Service	Auxiliary Enterprises	Management & General	Fundraising	Total Expenses
Salaries & wages	\$ 6,923,259	\$ 1,328,645	\$ 1,829,954	\$ 12,348	\$ 828,641	\$ 1,901,034	\$ 825,994	\$ 13,649,875
Pension plan	281,533	52,350	60,280	-	26,270	88,916	41,479	550,828
Other benefits	680,140	177,850	232,365	-	132,032	397,496	94,337	1,714,220
Payroll taxes	454,311	84,839	109,806	-	48,694	115,825	53,566	867,041
Legal	18,027	-	-	-	-	47,788	-	65,815
Accounting	-	-	-	-	-	72,908	-	72,908
Advertising & promotion	14,606	872	3,360	-	5,070	253,066	90	277,064
Office expenses	2,707,283	838,874	370,571	20,906	874,431	780,179	359,005	5,951,249
Information technology	-	-	-	-	-	-	-	-
Royalties	119,079	-	-	-	-	-	-	119,079
Occupancy	146,315	73,551	56,921	-	708,077	76,083	-	1,060,947
Travel	319,214	45,631	109,161	1,171	1,407	87,972	115,693	680,249
Interest	-	-	-	-	-	221,530	-	221,530
Depreciation	564,102	308,259	238,561	-	1,792,726	318,873	-	3,222,521
Insurance	450	-	-	-	-	268,586	855	269,891
Other expenses	384,257	40,426	16,247	-	16,459	23,588	143,453	624,430
Total expenses by function	<u>\$ 12,612,576</u>	<u>\$ 2,951,297</u>	<u>\$ 3,027,226</u>	<u>\$ 34,425</u>	<u>\$ 4,433,807</u>	<u>\$ 4,653,844</u>	<u>\$ 1,634,472</u>	<u>\$ 29,347,647</u>

ASBURY THEOLOGICAL SEMINARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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, 2020 and 2019 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. As of June 30, 2020 and 2019, the Seminary's cash balances exceeded FDIC insurance coverage by approximately \$25,200,000 and \$17,700,000, respectively.

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, 2020 and 2019, the carrying amount of accounts receivable that are past due ninety days or more totals approximately \$682,678 and \$659,410, respectively.

SUPPLEMENTAL SCHEDULE

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

	Federal CFDA Number	Federal Expenditures
<u>Federal Grantor / Program Title</u>		
MAJOR PROGRAM		
<u>Student Financial Assistance - Cluster</u>		
U.S. Department of Education:		
Federal Direct Student Loans	84.268	\$ 7,214,814
Federal Work-Study Program	84.033	<u>179,070</u>
Total Student Financial Assistance - Cluster		<u>\$ 7,393,884</u>
Total Major Program		<u>\$ 7,393,884</u>
Total Expenditures of Federal Awards		<u>\$ 7,393,884</u>

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

ASBURY THEOLOGICAL SEMINARY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

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, 2020, the Seminary processed loans of \$7,214,814 (net of loan and origination fees) of new loans under the Federal Direct Student Loans Program (Catalog of Federal Domestic Assistance (CFDA) 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, 2020.

ASBURY THEOLOGICAL SEMINARY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

4. FEDERAL WORK-STUDY PROGRAM

The Seminary administers a Federal Work-Study Program (CFDA No. 84.033) funded by the United States Department of Education. Total program disbursements under the program for the year ended June 30, 2020 follows:

	<u>Institution Amount</u>	<u>Federal Amount</u>	<u>Total</u>
Earned compensation	\$ 55,959	\$ 111,919	\$ 167,878
Administrative cost allowance	-0-	11,192	11,192
	<u>\$ 55,959</u>	<u>\$ 123,111</u>	<u>\$ 179,070</u>



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, 2020, 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 October 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Seminary's internal control over financial reporting (internal control) to determine the 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 determination of financial statement amounts. 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 30, 2020



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, 2020. 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, 2020.

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 Finding No. 2020-001. 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 exist 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 2020-001, that we considered to be a significant deficiency.

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 30, 2020

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

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 ☒ none reported

Significant deficiency(s)
identified that are not
considered to be
material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es)
identified? ☐ yes ☒ none reported

Significant deficiency(s)
identified that are not
considered to be
material weaknesses? ☒ 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? ☒ yes ☐ no

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

Identification of major program:

The program tested as a major federal program for the year ended June 30, 2020, 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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, 2020.

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

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

Federal Agency: U.S. Department of Education

CFDA 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).

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

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: An incorrect number for days in the enrollment period was used in the calculation of the Return of Title IV Funds for three students. Consequently, a total of \$10,412 of Title IV Funds was returned to the Department of Education for these students. The correct total that should have been returned was \$10,469 resulting in a deficiency of \$57. Accordingly, an additional \$57 should 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.

ASBURY THEOLOGICAL SEMINARY

SCHEDULE OF PRIOR YEAR FINDINGS YEAR ENDED JUNE 30, 2019

Finding No. 2019-001: Financial Aid Administration – Noncompliance and Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.033 – Federal Work Study Program (FWS)

Criteria: 34 CFR Section 675.18(g)(4) states that an institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this requirement, the institution must include at least one FWS program fund recipient who serves as a reading tutor for children who are preschool age or are in elementary school or who participates in a family literacy activity.

Condition: During the year, the Seminary did not have meet the seven percent requirement specified in, 34 CFR Section 675.18(g)(4).

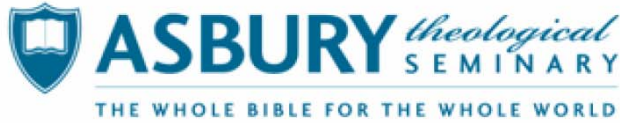
Cause: The Seminary experienced a decrease in the amount of work-study applications from which to select to fill open positions. Based on communication with students, the amount of pay was the primary issue. The Seminary also used a local daycare, adjacent to the campus, as one of their community service resources. The daycare closed unexpectedly, giving the Seminary limited time to establish a new relationship to specifically fulfill the family literacy component of the FWS program.

Although a new relationship was established in a timely manner, the lack of interest from students resulted in a lack of positions filled.

Effect: In accordance with 34 CFR Section 668.84, the Secretary of Education may levy fines and/or penalties on the institution or suspend future participation in federal student financial assistance programs for failure to comply with the requirements applicable to Title IV of the Higher Education Act of 1965 (HEA).

Recommendation: Ensure that the Seminary has enough community service opportunities that when one community service program either declines or shuts down that the Seminary will have enough to meet the required 7%. The Seminary should consider requesting a waiver.

Current year status: Resolved in the current year.



Department of Education

Asbury Theological Seminary respectfully submits the following corrective action plan for the year ended June 30, 2020

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, 2020 is discussed below. The finding is number consistently with the numbers assigned in the schedule.

2020-001 Finding

Asbury Theological Seminary (ATS) incorrectly calculated the number of calendar days in the enrollment period for the Fall semester during the 2019-2020 year.

Summary

The number of days in the enrollment period was incorrectly calculated and used in the completion of the Return of Title IV Funds calculation for students who withdrew in the Fall semester of the 2019-2020 school year.

Institution Response

ATS agrees with the audit finding. To avoid miscalculation of dates for future terms, a new procedure has been implemented. The Director of Financial Aid will continue to create calendars, reflecting the enrollment period for R2T4 processing. The Associate Director of Financial Aid will now sign off on the accuracy of the calendar dates prior to an R2T4 being performed for the specified enrollment period.