
American Theological Library Association

Financial Report
August 31, 2021

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Independent Auditor's Report

To the Board of Directors
American Theological Library Association

We have audited the accompanying financial statements of American Theological Library Association (the "Association"), which comprise the statement of financial position as of August 31, 2021 and 2020 and the related statements of activities, functional expenses, 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. 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 involves 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 entity'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 entity'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 American Theological Library Association as of August 31, 2021 and 2020 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

February 8, 2022

American Theological Library Association

Statement of Financial Position

August 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 937,892	\$ 1,765,782
Investments	8,458,169	6,912,516
Accounts and pledge receivable - Net	1,082,195	719,604
Prepaid expenses and other assets	310,789	307,497
Contract costs - Net	7,080,170	7,143,556
Property and equipment - Net	532,763	742,607
Total assets	<u>\$ 18,401,978</u>	<u>\$ 17,591,562</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 168,278	\$ 268,366
Contract liabilities	5,248,028	4,769,161
Deferred rent	-	34,355
Accrued liabilities and other:		
Accrued compensation	275,073	260,214
Accrued interest	-	2,312
Accrued royalties	850,089	837,638
Total accrued liabilities and other	1,125,162	1,100,164
SBA loan payable	-	685,982
Total liabilities	6,541,468	6,858,028
Net Assets		
Without donor restrictions:		
Undesignated	10,630,237	9,773,071
Board designated	605,259	449,824
Total without donor restrictions	11,235,496	10,222,895
With donor restrictions	625,014	510,639
Total net assets	11,860,510	10,733,534
Total liabilities and net assets	<u>\$ 18,401,978</u>	<u>\$ 17,591,562</u>

American Theological Library Association

Statement of Activities

Years Ended August 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Subscription databases	\$ 7,182,368	\$ -	\$ 7,182,368	\$ 7,094,822	\$ -	\$ 7,094,822
Membership (conference and dues)	192,509	-	192,509	179,942	-	179,942
Contributions	57,724	2,817	60,541	-	7,157	7,157
Other	65,133	-	65,133	75,417	-	75,417
Gain on debt extinguishment	685,982	-	685,982	-	-	-
Investment income - Net	144,100	131,308	275,408	114,309	39,198	153,507
Net assets released from restrictions	19,750	(19,750)	-	8,000	(8,000)	-
Total revenue, gains, and other support	8,347,566	114,375	8,461,941	7,472,490	38,355	7,510,845
Expenses						
Program services:						
Products	3,859,637	-	3,859,637	3,735,239	-	3,735,239
Member programs	1,400,386	-	1,400,386	1,572,667	-	1,572,667
Total program services	5,260,023	-	5,260,023	5,307,906	-	5,307,906
Support services:						
Management and general	2,066,361	-	2,066,361	2,037,198	-	2,037,198
Fundraising	8,581	-	8,581	11,854	-	11,854
Total support services	2,074,942	-	2,074,942	2,049,052	-	2,049,052
Total expenses	7,334,965	-	7,334,965	7,356,958	-	7,356,958
Increase in Net Assets	1,012,601	114,375	1,126,976	115,532	38,355	153,887
Net Assets - Beginning of year	10,222,895	510,639	10,733,534	10,107,363	472,284	10,579,647
Net Assets - End of year	\$ 11,235,496	\$ 625,014	\$ 11,860,510	\$ 10,222,895	\$ 510,639	\$ 10,733,534

American Theological Library Association

Statement of Functional Expenses

Year Ended August 31, 2021

	Program Services			Support Services			Total Expenses
	Products	Member Programs	Total	Management and General	Fundraising	Total	
Salaries and benefits	\$ 672,716	\$ 795,548	\$ 1,468,264	\$ 1,361,756	\$ 8,537	\$ 1,370,293	\$ 2,838,557
Royalties to publishers and partners	1,085,927	-	1,085,927	-	-	-	1,085,927
Information and telecommunication	210,391	54,759	265,150	23,057	-	23,057	288,207
Depreciation and amortization	1,493,455	388,708	1,882,163	163,666	-	163,666	2,045,829
Travel	1,488	19,592	21,080	15,377	-	15,377	36,457
Marketing	-	16,676	16,676	18,419	-	18,419	35,095
Occupancy	225,708	49,732	275,440	107,116	-	107,116	382,556
Office expenses	1,686	6,856	8,542	107,655	44	107,699	116,241
Professional development	9,196	6,510	15,706	23,372	-	23,372	39,078
Professional services	158,593	8,083	166,676	211,259	-	211,259	377,935
Educational services	-	2,460	2,460	-	-	-	2,460
Conference	-	20,241	20,241	-	-	-	20,241
Awards	-	25,299	25,299	19,750	-	19,750	45,049
Audio visual	-	-	-	108	-	108	108
Other	477	5,922	6,399	14,826	-	14,826	21,225
Total functional expenses	\$ 3,859,637	\$ 1,400,386	\$ 5,260,023	\$ 2,066,361	\$ 8,581	\$ 2,074,942	\$ 7,334,965

American Theological Library Association

Statement of Functional Expenses

Year Ended August 31, 2020

	Program Services			Support Services			Total Expenses
	Products	Member Programs	Total	Management and General	Fundraising	Total	
Salaries and benefits	\$ 618,522	\$ 804,431	\$ 1,422,953	\$ 1,267,887	\$ 7,869	\$ 1,275,756	\$ 2,698,709
Royalties to publishers and partners	1,027,357	-	1,027,357	-	-	-	1,027,357
Information and telecommunication	258,469	68,207	326,676	32,309	-	32,309	358,985
Depreciation and amortization	1,359,614	358,787	1,718,401	169,952	-	169,952	1,888,353
Travel	32,183	97,871	130,054	83,868	2,199	86,067	216,121
Marketing	5,837	8,509	14,346	22,836	-	22,836	37,182
Occupancy	415,406	91,530	506,936	197,142	-	197,142	704,078
Office expenses	1,797	349	2,146	70,398	1,786	72,184	74,330
Professional development	5,032	1,007	6,039	22,512	-	22,512	28,551
Professional services	10,229	73,073	83,302	159,829	-	159,829	243,131
Educational services	-	35,607	35,607	-	-	-	35,607
Conference	-	6,150	6,150	-	-	-	6,150
Awards	-	24,250	24,250	8,000	-	8,000	32,250
Audio visual	-	40	40	1,513	-	1,513	1,553
Other	793	2,856	3,649	952	-	952	4,601
Total functional expenses	\$ 3,735,239	\$ 1,572,667	\$ 5,307,906	\$ 2,037,198	\$ 11,854	\$ 2,049,052	\$ 7,356,958

American Theological Library Association

Statement of Cash Flows

Years Ended August 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,126,976	\$ 153,887
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	2,045,829	1,888,353
Unrealized gains on investments	(287,533)	(52,169)
Additions to contract cost assets	(1,693,232)	(1,723,428)
Gain on debt extinguishment	(685,982)	-
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts and pledge receivable	(362,591)	20,045
Prepaid expenses and other assets	(3,292)	(12)
Accounts payable	(100,088)	184,693
Contract liabilities	478,867	(83,537)
Deferred rent	(34,355)	(64,865)
Accrued liabilities and other	24,998	104,816
Net cash and cash equivalents provided by operating activities	509,597	427,783
Cash Flows from Investing Activities		
Purchase of property and equipment	(79,367)	(118,580)
Purchases of investments	(7,297,075)	(5,000,000)
Proceeds from sales of investments	6,038,955	3,644,405
Net cash and cash equivalents used in investing activities	(1,337,487)	(1,474,175)
Cash Flows Provided by Financing Activities - Proceeds from SBA loan	-	685,982
Net Decrease in Cash and Cash Equivalents	(827,890)	(360,410)
Cash and Cash Equivalents - Beginning of year	1,765,782	2,126,192
Cash and Cash Equivalents - End of year	<u>\$ 937,892</u>	<u>\$ 1,765,782</u>

August 31, 2021 and 2020

Note 1 - Nature of Business

American Theological Library Association (the "Association") is a nonprofit organization providing support of theological and religious studies libraries and librarians. The mission of the Association is to foster the study of theology and religion by enhancing the development of theological and religious studies libraries and librarianship. Established in 1946, the Association is governed by an elected board of directors and has over 800 individual, institution, and affiliate members. The Association's member libraries and librarians provide resources for scholarly research to students, faculty, staff, and administrators. The Association supports the membership with a wide range of services and products, including an annual conference, members-only publications, and professional development opportunities. The Association conducts its activities from offices in Chicago, Illinois.

Note 2 - Significant Accounting Policies

Classification of Net Assets

Net assets of the Association are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled, including amounts that have been designated by the Association's board of directors to function as an endowment. Net assets in this category may be expended for any purpose in performing the primary objectives of the Association. Board-designated net assets can be released for program operations upon the direction of the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Cash and Cash Equivalents

For the purpose of the accompanying financial statements, the Association considers cash on deposit with banks, money market accounts, and any highly liquid investments with original maturities of three months or less to be cash equivalents. The Association maintains its cash balances in bank accounts that at times may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes that the Association is not exposed to any significant credit risk on cash.

Investments

Investments are reported at their fair values in the statement of financial position. Donated investments are recorded at their fair value as of the date of contribution. Changes in unrealized gains and losses are included in the accompanying statement of activities. The investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term that could materially affect the amounts reported in the financial statements.

Note 2 - Significant Accounting Policies (Continued)

Accounts and Pledge Receivable

Accounts receivable primarily consist of royalties earned and accrued in connection with subscription databases as of year end and are valued at management's estimate of the amount that ultimately will be collected based on historical collection experience. Accounts receivable as of August 31, 2021 and 2020 were \$992,389 and \$650,355, respectively. No allowance for doubtful accounts was considered necessary at August 31, 2021 and 2020. As of September 1, 2019, the balance of accounts receivable was \$636,560.

Pledges of cash and other assets, including unconditional promises to give in the future, are reported as revenue when granted or received, measured at fair value. Pledge receivable as of August 31, 2021 and 2020 was \$100,000 and \$80,000, respectively. The Association has recorded a net present value discount of \$22,514 as of August 31, 2021 and 2020. No allowance for doubtful accounts was considered necessary at August 31, 2021 and 2020. A total of \$20,000 of pledge receivable is expected to be collected in 2022, and the remaining \$80,000 is expected to be collected between 2023 through 2026.

Prepaid Expenses and Deposits

Deposits and other amounts paid in connection with future annual conferences are deferred and recorded as prepaid expenses and recognized as expense when the conference takes place.

Property and Equipment

Property and equipment are recorded at cost. The Association records all capitalized expenditures in excess of \$3,000 as additions to property and equipment. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives, which are five years for equipment and software, and the shorter of the useful life of the improvement or terms of the lease agreement for leasehold improvements. Costs of maintenance and repairs are charged to expense when incurred.

Contract Costs

The Association recognizes an asset for costs incurred to fulfill a contract with a customer as contract costs on the statement of financial position. Contract costs are stated at cost and are amortized using the straight-line method over the period of the anticipated service period, which is 10 years. Amortization expense is included in production costs on the statement of activities. Contract costs consist of those that are directly related to generating or enhancing resources of the Association that are used to satisfy the Association's performance obligation with its customer and are expected to be recovered. Contract costs consist of production costs to various databases:

Atla Religion Database (Atla RDB®) - An online index of citations covering journal articles, electronic resources, book reviews, and essay collections in all fields of religion

AtlaSerials (Atlas®) - An online, full-text collection of major religion and theology journals

AtlaSerials PLUS (Atlas PLUS®) - An online, full-text collection of major religion and theology journals

Atla RDB®, Atlas®, and Atlas PLUS® were created through capitalization of internal costs primarily consisting of salaries and related costs.

The Association reviews the assets for impairment if an event or change in circumstance indicates that recoverability of the carrying amount of the costs capitalized is questionable. An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its fair value.

An impairment loss is measured as the amount by which the carrying amount of an asset exceeds its fair value. If an impairment loss is recognized, the adjusted carrying amount of an asset becomes its new cost basis. Restoration of a previously recognized impairment loss is prohibited. During 2021 and 2020, management of the Association determined that there was no impairment.

Note 2 - Significant Accounting Policies (Continued)

Deferred Rent

Rent expense is recognized on the straight-line basis over the term of the lease, and a deferred rent liability is recorded for the excess of rent expense recognized over cash paid. The liability has been reduced (ultimately to zero) in later years of the lease when cash required to be paid for rentals exceeds straight-line rental expense.

Revenue Recognition from Contracts with Customers

The Association derives revenue primarily from membership dues and royalty fees generated from subscription databases and one-time sales of historical archives products.

The Association's products are available to customers through a third-party online service provider, which pays the Association royalty fees based on subscriptions or one-time sales on a quarterly basis, as noted in the license agreement. The Association's performance obligation consists of providing monthly updates and new content to the databases throughout the year. Royalty fees from one-time sales of historical archives products are recognized at the time of receipt from the third-party online service provider. Revenue is recognized ratably over the subscription term, as the subscribers have access to the benefits provided over time. Of the \$7,182,368 and \$7,094,822 of the subscription databases revenue recognized from contracts with customers during 2021 and 2020, respectively, revenue recognized at a point in time amounted to \$75,177 and \$75,035, respectively, while the remainder was recognized over time. Contract liabilities related to subscription databases as of August 31, 2021 and 2020 are \$5,122,966 and \$4,615,922, respectively. At September 1, 2020 and 2019, the opening balance of contract liabilities related to subscription databases amounted to \$4,615,922 and \$4,679,523, respectively.

The Association collects yearly membership dues from its individual and institutional members. Invoices are sent out in August for the start of the following membership year, which begins on September 1. For membership dues, the Association provides its members with a monthly newsletter and other publications; opportunities to participate in collaborative programs, such as the Atla Serials Exchange, Atla Digital Library, and the Atla Reciprocal Borrowing Program; and professional development opportunities, such as webinars and other leadership programs. Revenue is recognized ratably over the membership term, as the member has access to the benefits provided. Payment is expected upon submission of a membership application or renewal. Contract liabilities of \$80,595 and \$76,810 as of August 31, 2021 and 2020, respectively, represent payment received related to the following membership year. At September 1, 2020 and 2019, the opening balance of contract liabilities related to membership dues amounted to \$76,810 and \$83,889, respectively.

Payments received in advance of a membership or subscription term's commencement, event date, or the Association satisfying its performance obligation are recorded as contract liabilities on the statement of financial position. The changes in contract liabilities are caused by normal timing differences between the satisfaction of performance obligations and customer payments.

Functional Allocation of Expenses

In the statement of functional expenses, costs are charged to program and support services on an actual basis when available. Some costs have been allocated between the various program and support services on several bases and estimates as follows:

- Salaries and benefits, office expenses, information and telecommunication, occupancy, and depreciation and amortization - Based on full-time equivalent
- Professional development and services - Based on direct charge or full-time equivalent

Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Association is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3) and applicable state law, except for taxes relating to unrelated business income, if any.

Upcoming Accounting Pronouncement

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Association's year ending August 31, 2023 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is expected to have a significant effect on the Association's financial statements as a result of the Association's operating leases, as disclosed in Note 10, that will be reported on the statement of financial position at adoption. Upon adoption, the Association will recognize a lease liability and corresponding right-of-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 8, 2022, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

August 31, 2021 and 2020

Note 3 - Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Association assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Association's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers during fiscal years 2021 and 2020.

Level 1 includes active listed certificates of deposit, fixed-income and equity mutual funds, U.S. Treasury notes and bills, and certain money market securities.

The following tables present information about the Association's assets measured at fair value on a recurring basis at August 31, 2021 and 2020 and the valuation techniques used by the Association to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis
at August 31, 2021

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at August 31, 2021
Investments				
Certificates of deposit	\$ 2,750,000	\$ -	\$ -	\$ 2,750,000
Mutual funds - Equity	1,233,229	-	-	1,233,229
Money market fund	87,528	-	-	87,528
U.S. Treasury notes and bills	4,387,412	-	-	4,387,412
Total investments	<u>\$ 8,458,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,458,169</u>

Assets Measured at Fair Value on a Recurring Basis
at August 31, 2020

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at August 31, 2020
Investments				
Certificates of deposit	\$ 5,954,396	\$ -	\$ -	\$ 5,954,396
Mutual funds:				
Fixed income	93,254	-	-	93,254
Equity	756,056	-	-	756,056
Total mutual funds	849,310	-	-	849,310
Money market fund	108,810	-	-	108,810
Total investments	<u>\$ 6,912,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,912,516</u>

August 31, 2021 and 2020

Note 4 - Property and Equipment

Property and equipment are summarized as follows as of August 31:

	2021	2020
Furniture and fixtures	\$ 107,482	\$ 107,482
Equipment and software	3,766,641	3,687,274
Leasehold improvements	293,745	293,745
Total cost	4,167,868	4,088,501
Accumulated depreciation	3,635,105	3,345,894
Net property and equipment	<u>\$ 532,763</u>	<u>\$ 742,607</u>

Depreciation expense for 2021 and 2020 was \$289,211 and \$301,058, respectively.

Note 5 - Contract Costs

Contract cost assets of the Association at August 31, 2021 and 2020 are summarized as follows:

	2021		2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Assets:				
Atla RDB®	\$ 13,310,508	\$ 8,052,201	\$ 12,033,649	\$ 6,721,150
Atlas®	7,303,391	5,486,345	6,887,017	5,061,466
Atlas PLUS®	6,881	2,064	6,882	1,376
Total contract cost assets	<u>\$ 20,620,780</u>	<u>\$ 13,540,610</u>	<u>\$ 18,927,548</u>	<u>\$ 11,783,992</u>

Amortization expense totaled \$1,756,618 and \$1,587,295 for the years ended August 31, 2021 and 2020, respectively.

Estimated future amortization expense for the years ending August 31 is as follows:

Years Ending	Atla RDB®	Atlas®	Atlas PLUS®	Total
2022	\$ 1,312,103	\$ 424,879	\$ 688	\$ 1,737,670
2023	783,776	301,744	688	1,086,208
2024	717,772	266,233	688	984,693
2025	645,180	235,659	688	881,527
2026	569,706	189,275	688	759,669
Thereafter	1,229,771	399,256	1,376	1,630,403
Total	<u>\$ 5,258,308</u>	<u>\$ 1,817,046</u>	<u>\$ 4,816</u>	<u>\$ 7,080,170</u>

Note 6 - SBA Loan Payable

American Theological Library Association entered into a \$685,982 loan with the Small Business Administration (SBA) on May 1, 2020 with an interest rate of 0.98 percent per annum and monthly principal and interest payments commencing six months from the date of issuance. The loan was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program. The note's structure requires association officials to certify certain statements that permitted the Association to qualify for the loan and provides loan forgiveness for a portion up to all of the borrowed amount if the Association uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will require the Association to pay back this amount in full by April 2022. American Theological Library Association has the right to prepay any amount outstanding at any time without penalty.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. During the year ended August 31, 2021, the Association applied for and received notification of forgiveness of the loan from the SBA. Loan forgiveness in the amount of \$685,982 has been recorded as a gain on debt extinguishment on the statement of activities.

Note 7 - Credit Agreement

The Association maintains a \$500,000 line of credit, with any borrowing secured by all business assets owned by the Association. There were no borrowings during fiscal years 2021 and 2020. The line of credit will expire on May 22, 2024, at which point any outstanding balance will be converted into a term note.

Note 8 - Database Revenue

Royalty and fee revenue generated by databases for fiscal years 2021 and 2020 were as follows:

	2021	2020
Atla RDB®	\$ 4,154,413	\$ 4,148,541
Atlas®	2,172,668	2,184,785
Atlas PLUS®	374,212	344,991
Atla EBSCO Historical Digital Archives	75,177	75,035
Partner subscription databases	405,898	341,470
	<u>7,182,368</u>	<u>7,094,822</u>
Total	<u>\$ 7,182,368</u>	<u>\$ 7,094,822</u>

Note 9 - Pension Plan

The Association has a contributory defined contribution pension plan qualified under Section 403(b) of the Internal Revenue Code covering full-time employees who have met certain requirements as to length of service and age. The plan provides for a mandatory matching contribution equal to the amount of the employee's salary reduction, but not to exceed 10 percent of the employee's compensation, subject to Internal Revenue Code limitations. Pension expense was \$193,243 and \$182,551 for fiscal years 2021 and 2020, respectively.

Note 10 - Operating Leases

The Association occupied office space under a noncancelable operating lease arrangement that expired in February 2021, which was not renewed. The lease agreement provided for monthly payments of base rentals plus allocated operating costs and real estate taxes. During 2020, the Association entered into a noncancelable operating lease agreement for office space that starts on August 1, 2020 and ends on July 31, 2022 with monthly payments of \$1,368. Total rent expense under these leases was \$16,416 and \$635,722 for 2021 and 2020, respectively. The remaining future minimum annual commitment under this lease for 2022 is \$15,048. The Association plans to renew the lease upon expiration.

August 31, 2021 and 2020

Note 10 - Operating Leases (Continued)

A deferred rent liability of \$0 and \$34,355 at August 31, 2021 and 2020, respectively, is attributable primarily to rental abatements received at inception of the lease and was effectively being amortized as rental expense throughout the lease term.

Note 11 - Endowments

The Association's endowment fund consists of a fund established by the board of directors to ensure the continued fulfillment of the Association's mission and a fund composed of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Association is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Association had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Association considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Association has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

Notes to Financial Statements

August 31, 2021 and 2020

Note 11 - Endowments (Continued)

Information regarding the endowment net assets as of August 31, 2021 and 2020 and changes in endowment net assets for the years then ended is as follows:

Endowment Net Asset Composition by Type of Fund as of August 31, 2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 602,578	\$ -	\$ 602,578
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	12,018	12,018
Accumulated investment gains	-	521,694	521,694
Total	\$ 602,578	\$ 533,712	\$ 1,136,290
Changes in Endowment Net Assets for the Fiscal Year Ended August 31, 2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 449,824	\$ 402,404	\$ 852,228
Investment income	144,100	131,308	275,408
Transfers/contributions	8,654	-	8,654
Endowment net assets - End of year	\$ 602,578	\$ 533,712	\$ 1,136,290
Endowment Net Asset Composition by Type of Fund as of August 31, 2020			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 449,824	\$ -	\$ 449,824
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	12,018	12,018
Accumulated investment gains	-	390,386	390,386
Total	\$ 449,824	\$ 402,404	\$ 852,228
Changes in Endowment Net Assets for the Fiscal Year Ended August 31, 2020			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 315,252	\$ 357,429	\$ 672,681
Investment income	34,572	39,198	73,770
Transfers/contributions	100,000	5,777	105,777
Endowment net assets - End of year	\$ 449,824	\$ 402,404	\$ 852,228

August 31, 2021 and 2020

Note 11 - Endowments (Continued)

Return Objectives and Risk Parameters

The Association has adopted a strategy of long-term growth through diversified mutual funds and ETFs that trade at no cost and a policy of zero spend. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The Association is currently focused on long-term growth of the endowment fund and has established a policy of zero spend.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on mutual funds and ETFs that trade at no cost to achieve its long-term return objectives within prudent risk constraints.

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of August 31 are available for the following purposes:

	2021	2020
Scholarships and grants	\$ 91,302	\$ 108,235
Endowments	533,712	402,404
Total	<u>\$ 625,014</u>	<u>\$ 510,639</u>

Note 13 - Employment Contract

A November 2010 contract with a key employee requires the Association to pay the employee an amount equal to one month of salary for each year of service to the Association, up to a maximum of 12 months' severance, in the event of termination by the Association without cause. No estimate can be made related to the probability of the employee's termination without cause, and, therefore, no liability has been accrued.

Note 14 - Liquidity and Availability of Resources

The following reflects the Association's financial assets as of August 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2021	2020
Cash and cash equivalents	\$ 937,892	\$ 1,765,782
Accounts and pledge receivable - Net	1,082,195	719,604
Investments	8,458,169	6,912,516
Financial assets - At year end	10,478,256	9,397,902
Less those unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	625,014	510,639
Board-designated net assets	605,259	449,824
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,247,983</u>	<u>\$ 8,437,439</u>

August 31, 2021 and 2020

Note 14 - Liquidity and Availability of Resources (Continued)

The Association has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet three to six months of normal operating expenses, which are, on average, approximately \$500,000 per month. The Association invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments with maturities designed to meet obligations as they become due. In addition, the Association has a \$500,000 line of credit with Chase Bank, which can be drawn upon in the event of an unanticipated liquidity need.

Note 15 - Commitments and Contingencies

In the normal course of its activities, the Association enters into electronic publishing agreements and other contracts with service providers. In the event that the terms of these agreements and contracts are not met, the Association could suffer from lost income or be obligated to pay certain penalties. The Association does not anticipate any loss contingencies associated with these contracts and agreements and, therefore, has not recorded a provision for the reporting periods presented in these financial statements.