

**AMERICAN ASSOCIATION OF
UNIVERSITY PROFESSORS**

STATEMENT OF EXPENSES AND ALLOCATION OF
EXPENSES BETWEEN CHARGEABLE EXPENSES
AND NON-CHARGEABLE EXPENSES
AND
REPORT OF INDEPENDENT AUDITORS

DECEMBER 31, 2012



AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

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REPORT OF INDEPENDENT AUDITORS

To the Council of the American
Association of University Professors

We have audited the accompanying statement of expenses and allocation of expenses between chargeable expenses and non-chargeable expenses and the related notes to the statement of the American Association of University Professors (the Association) for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this 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 the financial statement that is free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this statement based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, 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 statement in order to design audit procedures that are appropriate in the circumstances, but not the 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 statement.

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

The total expenses reflected in of the statement agree to the expenses in the audited financial statements of the Association for the year ended December 31, 2012, as modified to remove certain expenses, as detailed in footnote 4. The allocation of expenses between chargeable and non-chargeable is based on the definitions and significant factors and assumptions described in Notes 2 and 3.

Opinion

In our opinion, the statement referred to above present fairly, in all material respects, the expenses of the American Association of University Professors for the year ended December 31, 2012, modified as discussed in footnote 4 and the allocated expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 2 and 3.

This report is intended solely for the information and use of the American Association of University Professors and its agency fee payers and is not intended to be and should not be used by anyone other than these specified parties.

Calibre CPA Group, PLLC

Bethesda, MD
August 23, 2013

American Association of University Professors

**Statement of Expenses and Allocation of Expenses Between
Chargeable Expenses and Non-Chargeable Expenses**

Year Ended December 31, 2012

	Chargeable to <u>Objectors</u>	Non- Chargeable to <u>Objectors</u>	<u>Total Expenses</u>
Service to collective bargaining chapters	\$ 233,723	\$ -	\$ 233,723
Collective Bargaining Congress	191,312	-	191,312
Committee on the Economic Status of the Profession	85,586	-	85,586
Academe	87,031	259,351	346,382
Grants to Collective Bargaining Chapters	6,882	50,000	56,882
Administration			
Administrative services	1,222,657	1,297,765	2,520,422
AAUP Annual Meeting	188,893	-	188,893
Summer institute	195,352	-	195,352
Election activity	83,748	-	83,748
Election reruns	16,504	-	16,504
Office of General Secretary	41,707	44,270	85,977
Membership records	430,126	-	430,126
Executive functions	79,718	84,616	164,334
Office of Staff Counsel	46,327	49,173	95,501
Restructuring task force	-	8,304	8,304
Membership development	-	91,814	91,814
Public information	-	62,706	62,706
Chapter development	-	256,834	256,834
Organizing	-	194,624	194,624
Committee on Governance	-	130,040	130,040
Other publications	-	401,789	401,789
Committee on Academic Freedom and Tenure	-	52,718	52,718
Committee on the Status of Women in the Academic Profession	-	7,102	7,102
Fund raising	-	14,257	14,257
Restructuring task force	21	22	43
Research	-	31,556	31,556
Other committees	-	51,521	51,521
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,909,587</u>	<u>\$ 3,088,462</u>	<u>\$ 5,998,050</u>
Percentage	<u>48.51%</u>	<u>51.49%</u>	<u>100.00%</u>

American Association of University Professors

Notes to Statement of Expenses and Allocation of Expenses Between Chargeable Expenses and Non-Chargeable Expenses

For the Year Ended December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting and reporting policies of the American Association of University Professors (the "AAUP"). The summary is presented to assist in understanding the financial statement.

Method of Accounting – The accompanying financial statement is presented on the accrual basis of accounting.

Income Taxes – The AAUP is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for income taxes on its unrelated business income. The AAUP is not a private foundation.

Use of Estimates – In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

Subsequent Events Review – Subsequent events have been evaluated through August 23, 2013, which is the date the statement was available to be issued. This review and evaluation revealed no new material events or transactions which would require an additional adjustment to, or disclosure in, the accompanying statement.

NOTE 2. CHARGEABLE EXPENSES

The following expenses are considered to be of direct benefit to nonmembers, given their close connection to negotiated terms and conditions of faculty appointment. National AAUP considers the expenses listed below to be chargeable to objecting nonmembers who pay agency fees.

Service to Collective Bargaining Chapters – These expenses reflect direct services provided to AAUP chapters that engage in collective bargaining. The services concern consultation on negotiations, grievances, arbitrations, chapter organizational issues, and other activities germane to the collective bargaining process. No membership recruitment expenses are included.

NOTE 2. CHARGEABLE EXPENSES (continued)

Collective Bargaining Congress – These expenditures relate to conventions, meetings and workshops of the AAUP subgroup addressing the common concerns of collective bargaining chapters, in addition to other activities sponsored by the Collective Bargaining Congress (the “CBC”). The activities of the CBC serve to educate collective bargaining leaders in the organization.

Committee on the Economic Status of the Profession – This committee prepared a definitive annual report on faculty salaries at institutions of higher education. The annual report serves as a benchmark for the academic community in establishing compensation packages. It proves highly useful to the AAUP collective bargaining chapters in negotiations over compensation.

Academe – One issue of the AAUP’s bi-monthly journal - *Academe*, as well as a number of articles throughout the year, were devoted to collective bargaining concerns. The report of the Committee on Economic Status of the Profession is considered chargeable, given the utility of the report in collective bargaining negotiations of the terms and conditions of faculty appointments. Where *Academe* is provided to nonmembers, that portion of the annual cost attributable to the committee report issue and the articles devoted to collective bargaining concerns based on page production are considered to be chargeable.

For the chapters that do not provide *Academe* to all nonmembers, the allocation of expenses between chargeable and non-chargeable would change the overall percentages as follows:

	<u>Chargeable to Objectors</u>	<u>Non- Chargeable to Objectors</u>	<u>Total General Fund Expenses</u>
Expenses as previously allocated	\$ 2,909,587	\$ 3,088,462	\$ 5,998,049
Deduct charges for Academe	(87,031)	87,031	-
	<u>\$ 2,822,556</u>	<u>\$ 3,175,493</u>	<u>\$ 5,998,049</u>
	<u>47.06%</u>	<u>52.94%</u>	<u>100.00%</u>

Grants to Collective Bargaining Chapters – Direct grants are made to collective bargaining chapters and to individuals in support of collective bargaining efforts. The portion of the grants related to membership development and chapter development is considered non-chargeable. The portion of the grants related to terms and conditions of faculty appointments is considered chargeable.

Other – A portion of the expenses for general administrative services, office of the general secretary, membership records, executive functions, office of the staff counsel and the restructuring task force are considered chargeable. These expenses are allocated to chargeable and non-chargeable expenses based on the chargeable and non-chargeable percentages of program expenses.

NOTE 3. NON-CHARGEABLE EXPENSES

The following expenses of the AAUP, to the extent they are not germane to collective bargaining, are considered to be non-chargeable to objecting agency fee payers – membership development, legal advocacy and casework, public information, chapter development, organizing activities, development of AAUP state conferences, dues paid to other organizations, other publications, fundraising, and research.

In addition, the expenses of the following committees that develop recommended policy standards are considered to be non-chargeable.

- Committee on Governance
- Committee on Academic Freedom and Tenure
- Committee on Government Relations
- Committee on the Status of Women in the Academic Profession

NOTE 4. RECONCILIATION OF EXPENSES FROM AUDITED FINANCIAL STATEMENTS TO STATEMENT OF CHARGEABLE AND NON-CHARGEABLE EXPENSES

The following is a reconciliation of total expenses as reported on the audited financial statements to the total expenses allocated between chargeable and non-chargeable expenses.

Total expense for all funds as reported on the audited financial statements	\$ 6,402,850
Less:	
Bad debt expense	399,197
Academic Freedom Fund	<u>5,604</u>
Total expenses subjected to allocation	<u>\$ 5,998,049</u>