

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

FINANCIAL STATEMENTS

DECEMBER 31, 2019



**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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## **REPORT OF INDEPENDENT AUDITORS**

To the Council of  
American Association of University Professors

We have audited the accompanying financial statements of the American Association of University Professors (AAUP), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

### **Auditors' 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 audit 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 auditors' 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 auditors consider internal control relevant to the AAUP'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 AAUP'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 American Association of University Professors as of December 31, 2019 and 2018, 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.

## Emphasis of Matter

As discussed in Note 1 and Note 14 to the financial statements, effective December 31, 2019, the assets and liabilities of the American Association of University Professors - Collective Bargaining Congress were transferred to the American Association of University Professors. As of December 31, 2019, the American Association of University Professors - Collective Bargaining Congress was dissolved.

Bethesda, MD  
June 2, 2020

*CalibreCPAGroup, PLLC*

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash	\$ 1,499,658	\$ 1,399,706
Investments	8,606,759	4,039,929
Account receivable, net	849,864	410,306
Prepaid expenses and deposits	103,215	9,951
Due from AAUP Foundation	183,883	207,327
Property, equipment, and improvements - net	78,299	42,246
Total assets	\$ 11,321,678	\$ 6,109,465
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 406,840	\$ 389,320
Due to AAUP-Collective Bargaining Congress	-	1,184,389
Deferred membership revenue	495,823	450,019
Deferred rent	115,699	131,018
Postretirement benefit obligation	2,451,846	2,262,822
Total liabilities	3,470,208	4,417,568
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>7,851,470</b>	<b>1,691,897</b>
Total liabilities and net assets	\$ 11,321,678	\$ 6,109,465

See accompanying notes to financial statements.

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>REVENUE</b>		
Membership dues	\$ 2,812,541	\$ 2,686,281
Net investment income	106,347	30,376
Publications	278,729	294,722
Meeting registration and fees	26,538	30,178
Grants	247,883	266,229
Miscellaneous income	62,440	39,807
Total revenue	3,534,478	3,347,593
<b>EXPENSES</b>		
Program services		
Policy and legal advocacy	251,887	269,715
Member services	438,707	561,624
Communications	558,976	535,702
Research	86,999	75,678
Education	30,066	10,496
Conferences	9,437	13,128
Government relations	-	287
Total program services	1,376,072	1,466,630
Supporting services		
Leadership	407,402	479,098
General and administrative	1,070,793	944,630
Total supporting services	1,478,195	1,423,728
Total expenses	2,854,267	2,890,358
<b>EXCESS OF REVENUE OVER EXPENSES</b>	680,211	457,235
<b>OTHER CHANGES IN NET ASSETS</b>		
Other components of net periodic postretirement benefit cost	(37,916)	(32,639)
Postretirement-related changes other than net periodic postretirement benefit cost	(44,588)	53,993
<b>CHANGE IN NET ASSETS, BEFORE TRANSFER OF NET ASSETS</b>	597,707	478,589
<b>TRANSFER OF NET ASSETS</b>	5,561,866	-
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Beginning of year	1,691,897	1,213,308
End of year	\$ 7,851,470	\$ 1,691,897

See accompanying notes to financial statements.

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2019

	Program Services							Supporting Services		Total
	Policy and Legal Advocacy	Member Services	Communications	Research	Education	Conferences	Government Relations	Leadership	General and Administrative	
Salaries and fringe benefits	\$ 227,167	\$ 260,006	\$ 428,208	\$ 49,632	\$ 18,987	\$ 8,683	\$ -	\$ 218,526	\$ 386,509	\$ 1,597,718
Contracted services	1,873	10,543	11,491	28,851	-	-	-	6,424	255,441	314,623
Meetings and travel	20,951	14,310	1,158	558	11,079	754	-	178,397	9,104	236,311
Facilities	-	-	1,119	20	-	-	-	-	111,919	113,058
Grants	-	108,592	-	-	-	-	-	-	185,927	294,519
Insurance and business fees	-	16,280	260	7,678	-	-	-	-	30,661	54,879
Office expenses	1,896	11,428	115,494	260	-	-	-	4,055	45,602	178,735
Joint organizing costs	-	17,212	-	-	-	-	-	-	-	17,212
Bad debt expense	-	-	-	-	-	-	-	-	22,830	22,830
Other expenses	-	336	1,246	-	-	-	-	-	22,800	24,382
	<u>251,887</u>	<u>438,707</u>	<u>558,976</u>	<u>86,999</u>	<u>30,066</u>	<u>9,437</u>	<u>-</u>	<u>407,402</u>	<u>1,070,793</u>	<u>2,854,267</u>
Other components of net periodic postretirement benefit cost	-	-	-	-	-	-	-	-	37,916	37,916
	<u>\$ 251,887</u>	<u>\$ 438,707</u>	<u>\$ 558,976</u>	<u>\$ 86,999</u>	<u>\$ 30,066</u>	<u>\$ 9,437</u>	<u>\$ -</u>	<u>\$ 407,402</u>	<u>\$ 1,108,709</u>	<u>\$ 2,892,183</u>

See accompanying notes to financial statements.

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2018

	Program Services						Supporting Services		Total	
	Policy and Legal Advocacy	Member Services	Communications	Research	Education	Conferences	Government Relations	Leadership		General and Administrative
Salaries and fringe benefits	\$ 239,865	\$ 320,060	\$ 384,617	\$ 57,273	\$ 8,123	\$ 7,743	\$ 287	\$ 230,330	\$ 290,717	\$ 1,539,015
Contracted services	1,724	16,568	38,426	3,453	-	-	-	118,366	200,622	379,159
Meetings and travel	26,832	8,842	1,914	554	2,253	4,856	-	128,770	11,980	186,001
Facilities	-	426	2,797	147	-	135	-	-	137,396	140,901
Grants	-	158,977	-	-	-	-	-	-	220,428	379,405
Insurance and business fees	-	10,437	150	11,735	-	-	-	-	34,664	56,986
Office expenses	944	25,045	107,565	2,155	120	394	-	956	44,706	181,885
Joint organizing costs	-	20,764	-	-	-	-	-	-	-	20,764
Other expenses	350	505	233	361	-	-	-	676	4,117	6,242
	<u>269,715</u>	<u>561,624</u>	<u>535,702</u>	<u>75,678</u>	<u>10,496</u>	<u>13,128</u>	<u>287</u>	<u>479,098</u>	<u>944,630</u>	<u>2,890,358</u>
Other components of net periodic postretirement benefit cost	-	-	-	-	-	-	-	-	32,639	32,639
	<u>\$ 269,715</u>	<u>\$ 561,624</u>	<u>\$ 535,702</u>	<u>\$ 75,678</u>	<u>\$ 10,496</u>	<u>\$ 13,128</u>	<u>\$ 287</u>	<u>\$ 479,098</u>	<u>\$ 977,269</u>	<u>\$ 2,922,997</u>

See accompanying notes to financial statements.



**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 597,707	\$ 478,589
Adjustments to reconcile change in net assets to cash provided by (used for) operating activities		
Change in allowance for doubtful accounts	87,627	(22,155)
Net investment losses (gains)	(4,951)	2,070
Depreciation and amortization	34,551	56,220
Change in assets and liabilities		
Accounts receivable	(527,185)	(16,135)
Prepaid expenses and deposits	(93,264)	5,532
Due From AAUP Foundation	23,444	(142,221)
Accounts payable and accrued expenses	17,520	35,256
Due to AAUP-Collective Bargaining Congress	190,152	64,735
Deferred membership revenue	45,804	59,898
Deferred rent	(15,319)	(40,638)
Post-Retirement benefit obligation	189,024	(68,644)
Net cash provided by operating activities	545,110	412,507
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, equipment and improvements	(70,604)	(14,787)
Purchase of investments	(376,396)	(1,032,446)
Net cash used for investing activities	(447,000)	(1,047,233)
<b>NET CHANGE IN CASH</b>	98,110	(634,726)
<b>CASH</b>		
Beginning of year	1,399,706	2,034,432
Transfer of cash from AAUP-CBC	1,842	-
End of year	\$ 1,499,658	\$ 1,399,706
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for taxes (refund received)	\$ 2,970	\$ (1,373)

See accompanying notes to financial statements.

# AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

### NOTE 1. ORGANIZATION

The American Association of University Professors (AAUP) is operated exclusively as a not-for-profit professional association generally exempt from Federal income tax under Internal Revenue Code (IRC) Section 501(c)(6). The purpose of the AAUP is to facilitate a more effective cooperation among teachers and research scholars in universities and colleges, and in professional schools of similar grade, for the promotion of the interests of higher education and research, and in general to increase the usefulness and advance the standards, ideals and welfare of the profession.

The predecessor American Association of University Professors was founded in 1915 and operated as a 501(c)(3) organization for the purpose of facilitating a more effective cooperation among teachers and research scholars in universities and colleges, and in professional schools of similar grade, for the promotion of the interests of higher education and research, and in general to increase the usefulness and advance the standards, ideals and welfare of the profession.

Effective January 1, 2013, the predecessor American Association of University Professors (the AAUP Predecessor 501(c)(3) Organization) restructured into three related not-for-profit organizations exempt from income tax under IRC Sections 501(c)(3), 501(c)(5) and 501(c)(6).

The entities include the following:

- American Association of University Professors, a 501(c)(6) professional association;
- American Association of University Professors - Collective Bargaining Congress (AAUP-CBC), a 501(c)(5) labor organization; and
- AAUP Foundation, a 501(c)(3) public charity.

The three entities work in a coordinated manner to continue the mission of the AAUP Predecessor 501(c)(3) Organization. All assets and liabilities of the AAUP Predecessor 501(c)(3) Organization were transferred to the AAUP Foundation effective January 1, 2013 in accordance with a private letter ruling from the Internal Revenue Service (IRS). The AAUP Foundation subsequently transferred some of its assets and liabilities to the AAUP to facilitate the effective operations of the three related entities.

Despite the separation into three entities, it is the intent of the entities to adhere to a shared commitment to academic freedom, shared governance in academic institutions, and related goals including collective bargaining and the building of advocacy chapters and state conferences. The three entities operate through independent boards and manage their operations through a coordinated system of dues collections and fundraising, and through the employment of staff members to aid in the implementation of programs and activities that reflect the entities' shared commitment. The American Association of University Professors (a 501(c)(6) professional

## NOTE 1. ORGANIZATION (CONTINUED)

association) serves as the paymaster for the three entities. The allocation of membership dues is discussed in Note 12. Expenses are allocated to the AAUP Foundation based on a percentage of non-direct expenses. Expenses are allocated to the AAUP-CBC based on membership base and a percentage of non-direct expenses. Other expenses are allocated in proportion to the benefit derived by each entity and in accordance with a Memorandum of Understanding (MOU) and Cost-sharing Agreement.

In June 2019, the AAUP and AAUP-CBC agreed that both organizations would benefit from a more streamlined, unified governance and organizational structure. In order to effectuate this vision, the AAUP and the AAUP-CBC agreed to changes to the governance and organizational structure of the AAUP and the AAUP-CBC. Effective December 31, 2019, a Transfer of Assets and Assumption of Liabilities Agreement was executed by and between the AAUP and the AAUP-CBC. At that time the AAUP-CBC had its business and operations dissolve and terminate and simultaneously transferred, conveyed and delivered to AAUP all rights, title and interest in and to all AAUP-CBC assets, together with the rights to all revenue, damages and other payments that are or become due or payable with respect thereto, including damages for past, present or future, infringement, misappropriation or unauthorized use thereof free and clear of any and all liens and encumbrances. As of December 31, 2019, the Memorandum of Understanding and Cost Sharing Agreement, referenced above, are terminated.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Method of Accounting** - The accompanying financial statements are prepared using the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred.

**Financial Statement Presentation** - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the AAUP is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

**Net Assets** - Net assets are reported in two distinct classes as follows:

*Net assets without donor restrictions* - These net assets are available to finance the general operations of the AAUP. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the AAUP, the environment in which it operates, and the purposes specified in its organizing documents.

*Net assets with donor restrictions* - These net assets result from contributions and other inflows of assets, the use of which by the AAUP is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.

As of December 31, 2019 and 2018, the AAUP did not have any net assets with donor restrictions.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash** - Demand deposits with financial institutions are classified as cash.

**Investments** - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in certificates of deposit are recorded at fair market value based on interest rates on the last business day of the year. Investments in money market funds are valued at cost, which approximates fair value. Realized and unrealized gains and losses are included in net investment income on the statements of activities. Purchases and sales of investments are recorded on a trade date basis and dividend income is recognized as of the ex-dividend date. All other income from investments is recognized as earned on the accrual basis. Investment income is reported in the statements of activities net of all external and direct internal investment expenses.

**Property, Equipment and Improvements** - Property, equipment and improvements are carried at cost, less accumulated depreciation and amortization. AAUP capitalizes all such assets with cost above \$1,000 and a useful service life greater than one year. Depreciation and amortization are computed on the straight-line basis over estimated useful lives of three to ten years.

**Accounts Receivable** - Accounts receivable consists of amounts due from members for which the AAUP has an unconditional right to receive payment. Accounts receivable are stated at the amount management expects to be collected. Due to the large number of members and their dispersion across different geographic areas, there are no significant economic factors that might impact the nature, amount, timing and uncertainty of cash collections. The collectability of accounts receivable reflects management's best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. As of December 31, 2019 and 2018, management determined the allowance for doubtful accounts to be \$127,332 and \$39,705, respectively.

**Revenue Recognition** - Revenue from contracts with customers consists of membership dues, publications and event registrations and related fees. Revenues are recognized when control of the promised goods or services is transferred to our members and customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. These revenues are recognized net of discounts, waivers, and refunds. Revenue is recognized using the five-step approach required by ASC Topic 606, as follows:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### *Performance Obligations and Significant Judgments*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service and recognized as revenue when, or as, the performance obligation is satisfied. If a distinct good or service does not have an observable standalone selling price, then the primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which we evaluate the market and estimate a price that a customer would be willing to pay for the goods and services we provide.

Membership dues entitle members to a bundle of goods and services that are considered a single performance obligation provided ratably over the membership period.

Publications Revenue are recognized when periodical issues are published and distributed. Registration revenues are recognized when the related events are held. Members and nonmembers are required to pay in advance of attending an event. Transaction prices are based on gross prices, net of discounts or refunds.

### *Contract Balances*

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities reported in the statement of financial position. Contract assets consist entirely of member dues receivable, which are recognized only to the extent that it is probable that the AAUP will collect substantially all of the consideration to which it is entitled in exchange for the goods or services that will be or have been transferred. Contract liabilities consist entirely of deferred membership revenue that results when the AAUP receives advance payments from our members before revenue is recognized.

### *Costs to Obtain a Contract*

The AAUP has elected the practical expedient available in ASC Subtopic 340-40, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

**Postretirement Benefits** - Postretirement benefit expense is recognized ratably over employee service periods.

**Functional Allocation of Expenses** - The costs of providing the various programs and supporting activities of the AAUP have been summarized on a functional basis in the statements of activities and functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among the program and supporting services benefited based on management's best estimates. Salaries and related fringe benefits are allocated based on employee time and effort.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates** - In preparing financial statements in conformity with U.S. generally accepted accounting principles (GAAP), management is required to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from the reported amounts.

**New Accounting Pronouncement Adopted** - During the year ended December 31, 2019, the AAUP adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized, including performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. It also requires expanded disclosures about the nature, amount, and timing of revenues and cash flows. The adoption of Topic 606 did not have a material impact on the AAUP's financial statements.

During the year ended December 31, 2019, the AAUP also adopted the provisions of Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (the Update). The Update requires that only the service cost component of net periodic postretirement cost be reported with other compensation costs in the statements of activities and functional expenses. The other components of net benefit cost (interest cost, actual return on plan assets, amortization of prior service cost/credit, gain/loss, amortization of net transition asset/obligation) are required to be reported in the statement of activities as a change in net assets without donor restrictions separate from expenses. The effects of this change have been applied retrospectively. Accordingly, certain amounts previously reported for the year ended December 31, 2018, have been restated to conform with the 2019 presentation.

**NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

As part of the AAUP's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. Cash in excess of monthly requirements is invested in short-term investments, generally certificates of deposit with laddered maturities not exceeding 360 days. In the event of an unforeseen financial expenditure or other immediate liquidity need the AAUP also has access to a revolving line of credit in the amount of \$300,000.

**NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)**

The following table represents the AAUP's financial assets available to meet cash needs for general expenditures within one year of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total assets at end of year	\$ 11,321,678	\$ 6,109,465
Less nonfinancial assets		
Prepaid expenses and deposits	(103,215)	(9,951)
Property, equipment, and improvements, net	<u>(78,299)</u>	<u>(42,246)</u>
Financial assets available to meet general expenditures coming due in the next year	<u>\$ 11,140,164</u>	<u>\$ 6,057,268</u>

**NOTE 4. UNINSURED CASH**

The AAUP maintains its cash in bank deposit accounts which at times may exceed the federally insured limits per bank. AAUP has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

**NOTE 5. ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Accounts receivable		
Membership dues	\$ 915,289	\$ 369,736
Other	<u>61,907</u>	<u>80,275</u>
	977,196	450,011
Allowance for doubtful accounts	<u>(127,332)</u>	<u>(39,705)</u>
Accounts receivable, net	<u>\$ 849,864</u>	<u>\$ 410,306</u>

Membership dues are generally payable within one year. AAUP has assumed from the Predecessor 501(c)(3) Organization and entered into arrangements with certain chapters to accept payment over two to nine years for dues in arrears totaling \$206,332 at December 31, 2019. For 2018, the dues in arrears is allocated between AAUP and AAUP-CBC under the same ratio as indicated in the MOU in Note 12.

**NOTE 5. ACCOUNTS RECEIVABLE (CONTINUED)**

Management believes that the allowance for doubtful accounts is adequate for all membership dues receivable, including those under an extended payment arrangement, as of December 31, 2019 and 2018.

**NOTE 6. PROPERTY, EQUIPMENT AND IMPROVEMENTS**

Property, equipment and improvements at December 31, 2019 consist of the following:

	2019		
	Furniture and Equipment	Leasehold Improvements	Total Fixed Assets
Furniture and/or fixtures	\$ 28,399	\$ 207,952	\$ 236,351
Equipment and software	705,373	-	705,373
	733,772	207,952	941,724
Accumulated depreciation/amortization	(656,611)	(206,814)	(863,425)
Property, equipment, and improvements - net	<u>\$ 77,161</u>	<u>\$ 1,138</u>	<u>\$ 78,299</u>

Property, equipment, and improvements at December 31, 2018 consist of the following:

	2018		
	Furniture and Equipment	Leasehold Improvements	Total Fixed Assets
Furniture and/or fixtures	\$ 28,399	\$ 207,952	\$ 236,351
Equipment and software	634,769	-	634,769
	663,168	207,952	871,120
Accumulated depreciation/amortization	(622,606)	(206,268)	(828,874)
Property, equipment, and improvements - net	<u>\$ 40,562</u>	<u>\$ 1,684</u>	<u>\$ 42,246</u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 totaled \$34,551 and \$56,220, respectively.



**NOTE 7. DUE FROM AAUP FOUNDATION**

At December 31, 2019 and 2018, the AAUP Foundation owed the AAUP \$183,883 and \$207,327, respectively, originating from the following activities.

	<u>2019</u>	<u>2018</u>
<b>FUNDS TO BE PAID BY THE AAUP</b>		
Contributions	\$ 204,967	\$ 248,711
<b>FUNDS OWED BY THE AAUP FOUNDATION</b>		
Beginning balance	207,327	65,106
Staffing expenses	48,542	86,633
Operating expenses	132,530	144,700
Fundraising	22,653	10,767
Legal and auditing	17,926	14,400
Grants	<u>117,257</u>	<u>221,760</u>
Total funds owed by the AAUP Foundation	<u>546,235</u>	<u>543,366</u>
<b>NET FUNDS OWED BY THE AAUP FOUNDATION BEFORE PAYMENTS</b>	341,268	294,655
Payments received by the AAUP	<u>157,385</u>	<u>87,328</u>
Net funds owed by the AAUP Foundation after payments	<u>\$ 183,883</u>	<u>\$ 207,327</u>

In June 2016, the AAUP Foundation and the AAUP executed a support agreement whereby the AAUP agreed to fund a portion of the Foundation's expenses for the fiscal years 2016 through 2018. In November 2018, the AAUP Foundation and the AAUP executed a similar support agreement to fund a portion of the Foundation's expenses through fiscal year 2019. The total amount funded by the AAUP to the AAUP Foundation for 2019 and 2018 was \$155,927 and \$186,678, respectively, which amounts are reflected as contribution revenues without donor restrictions. Also in June 2016, the AAUP and the AAUP-CBC executed an agreement whereby the AAUP-CBC would provide a limited contribution amount to the AAUP to assist the AAUP with its support of the AAUP Foundation for the fiscal years 2017 and 2018. Also in November 2018, the AAUP and the AAUP-CBC executed a similar agreement whereby the AAUP-CBC would provide a limited contribution amount to the AAUP to assist with its support of the AAUP Foundation for fiscal year 2019. The total amount funded by the AAUP-CBC to the AAUP for 2019 and 2018 was \$36,575 and \$43,789, respectively, and are reflected as without donor restricted contribution revenues.

During the years ended December 31, 2019 and 2018, the AAUP Foundation made grants (assets released from restrictions) to AAUP programs totaling \$247,883 and \$262,479, respectively. These grant amounts were included in the calculation to determine the net amount owed to the AAUP by the AAUP Foundation for fiscal years 2019 and 2018. For the fiscal year ended December 31, 2019, the net amount owed to the AAUP by the AAUP Foundation is \$183,883, which represents accrued grants that have yet to be paid to the AAUP by the AAUP Foundation.

**NOTE 8. DUE TO (FROM) AAUP-CBC**

As of December 31, 2019 and 2018, the AAUP owed the AAUP-CBC \$-0- and \$1,184,389, respectively, originating from the following activities.

	<u>2019</u>	<u>2018</u>
<b>FUNDS TO BE PAID BY THE AAUP</b>		
Beginning balance	\$ 1,184,389	\$ 1,119,654
Dues revenue	4,449,424	4,561,591
Summer Institute registration fees	110,748	101,162
Annual meeting registration fees	34,750	50,063
Publications	81,790	101,302
Grants	<u>30,000</u>	<u>33,750</u>
Total funds to be paid by the AAUP	<u>5,891,101</u>	<u>5,967,522</u>
<b>FUNDS OWED BY THE AAUP-CBC</b>		
Operating expenses	2,020,525	1,748,410
Staffing expenses	1,055,111	1,269,724
Meeting and travel expenses	359,590	363,151
Other expenses	<u>459,826</u>	<u>394,728</u>
Total funds owed by the AAUP-CBC	<u>3,895,052</u>	<u>3,776,013</u>
<b>NET FUNDS DUE FROM THE AAUP BEFORE PAYMENTS AND TRANSFERS</b>	<b>1,996,049</b>	<b>2,191,509</b>
Payments made from the AAUP	(1,184,389)	(1,119,654)
Payments made to AAUP Foundation	7,048	-
Transfer of net accounts receivable to the AAUP-CBC	555,833	112,534
Transfer of due to the AAUP-CBC (Note 14)	<u>(1,374,541)</u>	<u>-</u>
Net funds due to AAUP-CBC after payments and transfers	<u>\$ -</u>	<u>\$ 1,184,389</u>

During the years ended December 31, 2019 and 2018, in accordance with the MOU, the AAUP transferred accounts receivable of \$-0- and \$718,995 and its related allowance for doubtful accounts of \$-0- and \$163,162, respectively, to the AAUP-CBC.

**NOTE 9. GRANTS TO AAUP-CBC**

The AAUP provided grants to the AAUP-CBC totaling \$30,000 and \$33,750 in support of the AAUP-CBC Summer Institute during the years ended December 31, 2019 and 2018, respectively.

**NOTE 10. RETIREMENT BENEFITS**

Eligible employees are covered by a 401(k) retirement plan which is funded through the purchase of individual annuity contracts from TIAA-CREF. All employees are eligible to participate at the date of employment.

AAUP automatically contributes 5% of employee compensation to the 401(k) retirement plan. Employees are not required to contribute to the plan to receive the automatic contribution. AAUP will also provide up to an additional 5% matching contribution for those employees that choose to make a contribution to the plan.

The total charges for retirement plan contributions totaled \$264,905 and \$281,034 for the years ended December 31, 2019 and 2018, respectively. All participants are fully vested in their annuities and custodial accounts. Upon retirement or termination of employment for any reason other than death, benefits will be paid to the participant in accordance with plan provisions. Upon death of a participant, benefits are paid to the designated beneficiary. Payment of benefits commence no later than April 1 following the calendar year in which a participant attains age 70½.

**NOTE 11. POSTRETIREMENT BENEFITS**

The AAUP assumed the postretirement benefit plan and related liability of the AAUP Predecessor 501(c)(3) Organization, along with other assets and liabilities, effective January 1, 2013. Retirees may become eligible for continued health benefits if they reach normal retirement age while working for the AAUP.

The accrued postretirement benefit obligation is determined with the assistance of the AAUP's consulting actuary. The accrued postretirement benefit obligation as of December 31, 2019 and 2018 is reported on the statements of financial position and is calculated as follows:

	2019	2018
Retirees	\$ 1,543,604	\$ 1,459,729
Actives fully eligible	357,847	313,322
Actives not yet fully eligible	550,395	489,771
	<u>\$ 2,451,846</u>	<u>\$ 2,262,822</u>

Detailed reconciliation of accumulated benefit obligation for 2019 and 2018 is as follows:

	2019	2018
Accumulated benefit obligation at beginning of year	\$ 2,262,822	\$ 2,331,466
Service cost	86,357	87,824
Interest cost	95,339	82,902
Gross benefits paid	(104,788)	(102,227)
Actuarial (gain) loss	112,116	(137,143)
Accumulated benefit obligation at end of year	<u>\$ 2,451,846</u>	<u>\$ 2,262,822</u>

**NOTE 11. POSTRETIREMENT BENEFITS (CONTINUED)**

As there are no plan assets, the excess of postretirement benefit obligation over plan assets equals the value of the postretirement benefit obligation of \$2,451,846 and \$2,262,822 at December 31, 2019 and 2018, respectively. The effect of a 1% increase in the assumed health care cost trend rates would cause the postretirement benefit obligations at December 31, 2019 and 2018 to increase by \$375,221 and \$335,976, respectively. The projected premiums to be paid to the plan for the year ending December 31, 2020 are \$112,525.

Net periodic postretirement benefit expense for the years ended December 31, 2019 and 2018 includes the following components:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 86,357	\$ 87,824
Interest cost	<u>95,339</u>	<u>82,902</u>
Total postretirement benefit expense	<u>\$ 181,696</u>	<u>\$ 170,726</u>
Total premiums paid by employer	<u>\$ 104,788</u>	<u>\$ 102,227</u>

The service cost component of net periodic benefit expense for the year ended December 31, 2019 is \$86,357 of which \$34,344 is reflected on the statement of functional expenses as salaries and fringe benefits for the year ended December 31, 2019, and \$46,270 and \$5,743 are allocated to the AAUP-CBC and the AAUP Foundation, respectively. The service cost component of net periodic benefit expense for the year ended December 31, 2018 is \$87,824 of which \$34,576 is reflected on the statement of functional expenses as salaries and fringe benefits for the year ended December 31, 2018, and \$45,862 and \$7,386 are allocated to the AAUP-CBC and the AAUP Foundation, respectively.

The interest cost component of net periodic benefit expense for the year ended December 31, 2019 is \$95,339 of which \$37,916 is reflected on the statement of activities as an other change in net assets for the year ended December 31, 2019, and \$51,083 and \$6,340 are allocated to the AAUP-CBC and the AAUP Foundation, respectively. The interest cost component of net periodic benefit expense for the year ended December 31, 2018 is \$82,902 of which \$32,639 is reflected on the statement of activities as an other change in net assets for the year ended December 31, 2018, and \$43,291 and \$6,972 are allocated to the AAUP-CBC and the AAUP Foundation, respectively.

Amounts that have not been recognized in the statements of activities as components of net periodic postretirement benefit cost as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Cumulative unrecognized net gain	<u>\$ (49,236)</u>	<u>\$ (161,352)</u>

The total of amounts not yet recognized as components of net periodic benefit costs for the year ended December 31, 2019 is a loss of \$112,116, of which \$44,588 is reflected on the statements of activities as an other change in net assets for the year ended December 31, 2019, and \$60,072

**NOTE 11. POSTRETIREMENT BENEFITS (CONTINUED)**

and \$7,456 are allocated to the AAUP-CBC and the AAUP Foundation, respectively. The total of amounts not yet recognized as components of net periodic benefit costs for the year ended December 31, 2018 is a gain of \$137,143, of which \$53,993 is reflected on the statement of activities as an other change in net assets for the year ended December 31, 2018, and \$71,616 and \$11,534 are allocated to the AAUP-CBC and the AAUP Foundation, respectively.

The weighted average discount rate used to determine net postretirement benefit costs were:

	<u>2019</u>	<u>2018</u>
Beginning of the year	4.15%	3.50%
End of the year	3.15%	4.15%

The assumed trend for 2019 and thereafter is a grading in the rate over 15 years until the ultimate rate of 3.5% is reached. The assumed health care cost trend rate used to measure the expected cost of benefits covered by the Plan was 7.0% and 7.45% for years ended December 31, 2019 and 2018, respectively.

The accumulated postretirement benefit obligation does not include amounts associated with the Medicare Part D benefit because AAUP is unable to determine whether the Plan's benefits are actuarially equivalent.

Total expected benefit payments for the next 10 years are as follows:

2020	\$ 112,525
2021	118,000
2022	118,000
2023	118,000
2024	122,000
2025-2029	615,000

## NOTE 12. REVENUE FROM CONTRACTS WITH CUSTOMERS

### *Disaggregation of Revenue from Contracts with Customers*

The following table disaggregates AAUP's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Bundled performance obligations satisfied over time		
Membership dues from advocacy chapters	\$ 1,473,357	\$ 1,423,777
Share of joint dues with the AAUP-CBC*	1,339,184	1,262,504
Performance obligations satisfied at a point in time		
Registration fees	26,538	30,178
Royalty income	51,286	39,807
Publications	278,729	294,722
Other revenue**		
Net investment income	106,347	30,376
Grants	247,883	266,229
Miscellaneous income	11,154	-
	<u>\$ 3,534,478</u>	<u>\$ 3,347,593</u>

\*Consistent with the MOU executed by the three entities in November 2012 and effective January 1, 2013, annual dues earned by collective bargaining members of the AAUP will be shared between the AAUP-CBC and the AAUP. As of June 2016, an amended MOU was executed and the dues sharing percentage was revised for the amounts shared between the AAUP-CBC (74%) and the AAUP (26%) effective January 1, 2017.

\*\* Due to the nature of these revenue streams, these items are excluded from required disaggregation under ASC Topic 606. They are included here only to provide a reconciliation to total revenues reported in the statements of activities.

### *Contract Balances*

The majority of AAUP's contract assets are considered member dues and other customer receivables that are presented below and are included within the accounts receivable balance in the statements of financial position. All of the AAUP's contract liabilities are included with deferred revenues in the statements of financial position. Balances in these accounts as of the beginning and end of the years ended December 31, 2019 and 2018 are indicated on the next page:

**NOTE 12. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Accounts receivable			
Membership dues	\$ 825,178	\$ 393,920	\$ 349,180
Other	<u>10,253</u>	<u>-</u>	<u>9,101</u>
	<u>\$ 835,431</u>	<u>\$ 393,920</u>	<u>\$ 358,281</u>
Deferred revenue			
Membership dues	<u>\$ 495,823</u>	<u>\$ 450,019</u>	<u>\$ 390,121</u>

**NOTE 13. INVESTMENTS**

The investments consist of the following investment classes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash equivalents	\$ 4,113,587	\$ 533,278
Certificates of deposit	<u>4,493,172</u>	<u>3,506,651</u>
	<u>\$ 8,606,759</u>	<u>\$ 4,039,929</u>

GAAP provides guidance for using fair value to measure assets and liabilities. Fair value measurements apply whenever standards require (or permit) assets or liabilities to be measured at fair value. Fair value measurements include provisions that require expanded disclosure of the effect on earnings for items measured using unobservable data.

Accounting standards provide the framework for measuring fair value which provides a fair value 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 (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the AAUP has the ability to access.
- Level 2 - Inputs to the valuation methodology include other significant observable inputs including:
- 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; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**NOTE 13. INVESTMENTS (CONTINUED)**

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.

As of December 31, 2019 and 2018, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2019			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 4,113,587	\$ -	\$ 4,113,587	\$ -
Certificates of deposit	4,493,172	-	4,493,172	-
	<u>\$ 8,606,759</u>	<u>\$ -</u>	<u>\$ 8,606,759</u>	<u>\$ -</u>
	2018			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 533,278	\$ -	\$ 533,278	\$ -
Certificates of deposit	3,506,651	-	3,506,651	-
	<u>\$ 4,039,929</u>	<u>\$ -</u>	<u>\$ 4,039,929</u>	<u>\$ -</u>

For the years ended December 31, 2019 and 2018, there have been no transfers in or out of Levels 1, 2 or 3.

Investment income consists of the following components for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 101,396	\$ 32,446
Net investment gains (losses)	4,951	(2,070)
Total investment income	<u>\$ 106,347</u>	<u>\$ 30,376</u>

**NOTE 14. NET ASSET TRANSFER**

As explained in Note 1, effective December 31, 2019, a Transfer of Assets and Assumption of Liabilities Agreement was executed by and between the AAUP and the AAUP-CBC. At that time, the AAUP-CBC had its business and operations dissolve and terminate and simultaneously transferred, conveyed and delivered to AAUP all rights, title and interest in and to all AAUP-



**NOTE 14. NET ASSET TRANSFER (CONTINUED)**

CBC assets, together with the rights to all revenue, damages and other payments that are or become due or payable with respect thereto, including damages for past, present or future, infringement, misappropriation or unauthorized use thereof free and clear of any and all liens and encumbrances. The assets transferred consisted of the following at December 31, 2019:

Cash	\$ 1,842
Investments	4,185,483
Due from AAUP	<u>1,374,541</u>
Total net assets transfer	<u>\$ 5,561,866</u>

**NOTE 15. RISKS AND UNCERTAINTIES**

The AAUP invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the statement of financial position.

Financial instruments that subject the AAUP to concentrations of credit risk include cash and investments. While management of the AAUP attempts to limit any financial exposure by maintaining accounts at high quality financial institutions, cash and investment balances may, at times, exceed the federally insured limits. The AAUP has not experienced, nor do they expect to experience any losses on such accounts.

**NOTE 16. COMMITMENTS AND CONTINGENCIES**

AAUP assumed the lease agreement entered into by the Predecessor 501(c)(3) Organization for office space, including electricity, which was extended until January 30, 2021 by amendment. This amendment provides for a reduction of 2,820 square feet of leased premises at the expiration of the original lease expiration, January 31, 2016. In December 2019 AAUP executed a second amendment to the lease agreement reducing base rent effective September 1, 2019, providing an abatement of monthly rent for the initial two months of this new term, and extending the lease term until January 30, 2023. Annual base rent for year ended December 31, 2019 was approximately \$309,216. Total deferred rent as of December 31, 2019 and 2018 was \$115,699 and \$131,018, respectively.

**NOTE 16. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Office rent expense totaled \$293,897 and \$341,387 for the years ended December 31, 2019 and 2018, respectively. The required future minimum lease payments for years 2020 through 2023 are as follows:

Year ending December 31,	
2020	\$ 276,865
2021	286,555
2022	296,585
2023	<u>25,285</u>
Total	<u>\$ 885,290</u>

**NOTE 17. TAX STATUS**

AAUP is exempt from Federal income tax under IRC Section 501(c)(6), except for income taxes on its unrelated business income. AAUP will be liable for income taxes on income derived from advertising in *Academe*, its professional journal and commissions received from certain member benefit programs. AAUP's income tax expense (refund) for 2019 and 2018 was \$2,970 and \$(1,373), respectively.

AAUP adopted the authoritative guidance relating to accounting for uncertainty in income taxes. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken in a tax return. AAUP performed an evaluation of uncertain tax positions for the years ended December 31, 2019 and 2018, and determined that there were no matters that would require recognition in the financial statements. As of December 31, 2019, the statute of limitations for tax years 2016 through 2018 remains open with the local jurisdiction which AAUP files returns. It is AAUP policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

**NOTE 18. LINE OF CREDIT**

AAUP has a revolving line of credit with Bank of America in the amount of \$300,000. Subsequent to year end the line of credit was renewed effective January 30, 2020. The line of credit carried a floating interest rate equal to LIBOR Rate plus 3.01% and is secured by accounts receivable and equipment owned by the organization. The line of credit is due to expire in March 31, 2021. There were no borrowings under this line of credit during the years ended December 31, 2019 and 2018.

**NOTE 19. SUBSEQUENT EVENTS**

Subsequent to year-end, U.S. and global business and financial markets have been severely impacted by the coronavirus pandemic. The potential impacts on the AAUP's financial condition and activities cannot be determined at this time. All subsequent events have been evaluated through June 2, 2020, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.