

AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

FINANCIAL STATEMENTS

DECEMBER 31, 2020



AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CalibreCPAGroup, PLLC

Bethesda, MD
May 20, 2021

AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
ASSETS		
Cash	\$ 1,502,854	\$ 1,499,658
Investments	10,194,139	8,606,759
Accounts receivable, net	1,267,362	849,864
Prepaid expenses and deposits	26,072	103,215
Accrued interest	33,920	-
Due from AAUP Foundation	165,887	183,883
Property, equipment, and improvements - net	<u>328,005</u>	<u>78,299</u>
Total assets	<u>\$ 13,518,239</u>	<u>\$ 11,321,678</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 492,472	\$ 406,840
Deferred membership revenue	693,035	495,823
Deferred rent	88,431	115,699
Postretirement benefit obligation	<u>2,506,742</u>	<u>2,451,846</u>
Total liabilities	3,780,680	3,470,208
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>9,737,559</u>	<u>7,851,470</u>
Total liabilities and net assets	<u>\$ 13,518,239</u>	<u>\$ 11,321,678</u>

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUE		
Membership dues	\$ 7,845,032	\$ 2,812,541
Investment income, net	121,306	106,347
Publications	120,456	278,729
Meeting registration and fees	-	26,538
Grants	167,663	247,883
Miscellaneous income	80,813	62,440
Total revenue	8,335,270	3,534,478
EXPENSES		
Program services		
Policy and legal advocacy	331,033	251,887
Member services	1,967,192	438,707
Communications	776,501	558,976
Research	338,981	86,999
Education	43,071	30,066
Conferences	79,852	9,437
Total program services	3,536,630	1,376,072
Supporting services		
Leadership	382,092	407,402
General and administrative	2,458,652	1,070,793
Total supporting services	2,840,744	1,478,195
Total expenses	6,377,374	2,854,267
EXCESS OF REVENUE OVER EXPENSES	1,957,896	680,211
OTHER CHANGES IN NET ASSETS		
Other components of net periodic postretirement benefit cost	(78,487)	(37,916)
Postretirement-related changes other than net periodic postretirement benefit cost	6,680	(44,588)
CHANGE IN NET ASSETS, BEFORE TRANSFER OF NET ASSETS	1,886,089	597,707
TRANSFER OF NET ASSETS	-	5,561,866
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	7,851,470	1,691,897
End of year	\$ 9,737,559	\$ 7,851,470

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services						Supporting Services		Total
	Policy and Legal Advocacy	Member Services	Communications	Research	Education	Conferences	Leadership	General and Administrative	
Salaries and fringe benefits	\$ 305,497	\$ 1,390,263	\$ 635,001	\$ 303,559	\$ 35,349	\$ 72,910	\$ 352,042	\$ 1,216,067	\$ 4,310,688
Contracted services	16,324	128,879	10,739	18,871	223	-	5,694	603,825	784,555
Meetings and travel	2,543	34,374	764	60	7,499	6,925	16,490	16,281	84,936
Facilities	-	266	458	11,633	-	-	122	295,987	308,466
Grants	6,000	153,394	-	-	-	-	476	10,548	170,418
Insurance and business fees	-	85,481	110	-	-	-	-	49,597	135,188
Office expenses	669	54,166	125,729	4,070	-	17	7,268	114,807	306,726
Joint organizing costs	-	110,482	-	-	-	-	-	-	110,482
Bad debt expense	-	115	-	-	-	-	-	125,664	125,779
Other expenses	-	9,772	3,700	788	-	-	-	25,876	40,136
	<u>331,033</u>	<u>1,967,192</u>	<u>776,501</u>	<u>338,981</u>	<u>43,071</u>	<u>79,852</u>	<u>382,092</u>	<u>2,458,652</u>	<u>6,377,374</u>
Other components of net periodic postretirement benefit cost	-	-	-	-	-	-	-	78,487	78,487
	<u>\$ 331,033</u>	<u>\$ 1,967,192</u>	<u>\$ 776,501</u>	<u>\$ 338,981</u>	<u>\$ 43,071</u>	<u>\$ 79,852</u>	<u>\$ 382,092</u>	<u>\$ 2,537,139</u>	<u>\$ 6,455,861</u>

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	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>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>\$ 407,402</u>	<u>\$ 1,108,709</u>	<u>\$ 2,892,183</u>

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,886,089	\$ 597,707
Adjustments to reconcile change in net assets to cash provided by operating activities		
Change in allowance for doubtful accounts	(26,233)	87,627
Net investment losses (gains)	14,584	(4,951)
Depreciation and amortization	33,581	34,551
Change in assets and liabilities		
Accounts receivable	(391,265)	(527,185)
Prepaid expenses and deposits	77,143	(93,264)
Accrued interest	(33,920)	-
Due From AAUP Foundation	17,996	23,444
Accounts payable and accrued expenses	85,632	17,520
Due to AAUP-Collective Bargaining Congress	-	190,152
Deferred membership revenue	197,212	45,804
Deferred rent	(27,268)	(15,319)
Postretirement benefit obligation	54,896	189,024
Net cash provided by operating activities	1,888,447	545,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, equipment and improvements	(283,287)	(70,604)
Purchase of investments	(10,851,421)	-
Sale of investments	9,249,457	(376,396)
Net cash used for investing activities	(1,885,251)	(447,000)
NET CHANGE IN CASH	3,196	98,110
CASH		
Beginning of year	1,499,658	1,399,706
Transfer of cash from AAUP-CBC	-	1,842
End of year	\$ 1,502,854	\$ 1,499,658
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for taxes	\$ 812	\$ 2,970

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 previous separation into three entities, it was 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 operated through independent boards and managed their operations through a coordinated system of dues collections and fundraising (through December 31, 2019), and through the employment of staff members to aid in the implementation of

NOTE 1. ORGANIZATION (CONTINUED)

programs and activities that reflect the entities' shared commitment. The American Association of University Professors (a 501(c)(6) professional association) served as the paymaster for the three entities. The allocation of membership dues is discussed in Note 12. Expenses were allocated to the AAUP Foundation based on a percentage of non-direct expenses. Expenses were allocated to the AAUP-CBC based on membership base and a percentage of non-direct expenses. Other expenses were 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, were terminated.

Effective January 1, 2020, the AAUP and AAUP Foundation executed a Resource Sharing Agreement (replacing the MOU and Cost Sharing Agreement) which outlines the operational and financial relationship between AAUP and AAUP Foundation. AAUP will continue to provide resources to the Foundation and track all Foundation time and expenses but AAUP provides in-kind contributions to AAUP Foundation for the costs of the time spent by AAUP employees or contractors who perform services on behalf of the Foundation and for the Foundation's representative share of its occupancy and overhead costs. The AAUP and AAUP Foundation also executed a Foundation Support Agreement (referenced in the Resource Sharing Agreement) which provides that AAUP's support of AAUP Foundation is based upon its approved FY 2020 budget. These are agreements that are reviewed and approved by the AAUP and Foundation leadership bodies.

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 (FASB) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, the AAUP did not have any net assets with donor restrictions.

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. Investments in U.S. government bonds and corporate bonds are valued at the estimated fair value as reported by the investment custodian. There have been no changes in the valuation methodologies used at December 31, 2020 and 2019. 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, 2020 and 2019, management determined the allowance for doubtful accounts to be \$101,099 and \$127,332, respectively.

Revenue Recognition - Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of 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. Except for goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time. Payments are

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

generally required in advance and are reported as deferred revenue until the related revenue is recognized. Unconditional contributions are recognized upon receipt of cash or other assets, or when a donor promises to transfer cash or other assets in the future. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.

Membership Dues - Membership dues entitle members to a bundle of goods and services that are considered a single performance obligation and the related revenue is recognized ratably over the membership period. Membership dues received in advance are deferred to the applicable membership period and are recognized as deferred revenue.

Royalties - The organization has licensed the use of its name, logo, and certain other intangible assets to third parties wishing to market products and services to our members and customers, in exchange for a royalty payment. Royalty revenue is generally based on underlying sales made by the licensee, calculated on a quarterly basis, and remitted to us within 90 days following the close of each calendar quarter.

Revenue from Other Exchange Transactions - Revenue from event registrations, exhibitor fees, and similar amounts are recognized when the event takes place. Revenue from publications and related advertising are recognized as each publication is circulated.

Grants and Similar Agreements - Most grant agreements are accounted for as contribution transactions. When an agreement includes both a barrier and either a right of return of assets to the resource provider or a right of release from obligation by the resource provider, the contribution is considered to be conditional. Amounts received under conditional transfers are reported as a liability (refundable advance) and recognized as contribution revenue only when the conditions are met.

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.

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.

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 through March 31, 2021.

The following table represents the AAUP's financial assets available to meet cash needs for general expenditures within one year of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Total assets at end of year	\$ 13,518,239	\$ 11,321,678
Less: nonfinancial assets		
Prepaid expenses and deposits	(26,072)	(103,215)
Property, equipment, and improvements, net	<u>(328,005)</u>	<u>(78,299)</u>
Total financial assets at end of year	<u>13,164,162</u>	<u>11,140,164</u>
Less: amounts not available to meet general expenditures coming due within one year		
Accounts receivable	<u>(158,281)</u>	<u>(206,332)</u>
Financial assets available to meet general expenditures coming due in the next year	<u>\$ 13,005,881</u>	<u>\$ 10,933,832</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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Accounts receivable		
Membership dues	\$ 1,332,409	\$ 915,289
Other	<u>36,052</u>	<u>61,907</u>
	1,368,461	977,196
Allowance for doubtful accounts	<u>(101,099)</u>	<u>(127,332)</u>
Accounts receivable, net	<u>\$ 1,267,362</u>	<u>\$ 849,864</u>

NOTE 5. ACCOUNTS RECEIVABLE (CONTINUED)

Membership dues are generally payable within one year. AAUP has entered into arrangements with certain chapters to accept payment over two to nine years for dues in arrears totaling \$158,281 and \$206,332 at December 31, 2020 and 2019, respectively.

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, 2020 and 2019.

NOTE 6. PROPERTY, EQUIPMENT, AND IMPROVEMENTS

Property, equipment, and improvements at December 31, 2020 consist of the following:

	2020		
	Furniture and Equipment	Leasehold Improvements	Total Fixed Assets
Furniture and/or fixtures	\$ 28,399	\$ 207,952	\$ 236,351
Equipment and software	988,660	-	988,660
	1,017,059	207,952	1,225,011
Accumulated depreciation/amortization	(689,646)	(207,360)	(897,006)
Property, equipment, and improvements - net	<u>\$ 327,413</u>	<u>\$ 592</u>	<u>\$ 328,005</u>

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>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 totaled \$33,581 and \$34,551, respectively.

NOTE 7. DUE FROM AAUP FOUNDATION

At December 31, 2020 and 2019, the AAUP Foundation owed the AAUP \$165,887 and \$183,883, respectively, originating from the following activities.

	<u>2020</u>	<u>2019</u>
Funds to be paid by the AAUP		
Contributions	<u>\$ 34,591</u>	<u>\$ 204,967</u>
Funds owed by the AAUP Foundation		
Beginning balance	183,883	207,327
Staffing expenses	-	48,542
Operating expenses	19,107	132,530
Fundraising	18,632	22,653
Legal and auditing	3,880	17,926
Grants	<u>172,663</u>	<u>117,257</u>
Total funds owed by the AAUP Foundation	<u>398,165</u>	<u>546,235</u>
Net funds owed by the AAUP Foundation before payments	<u>363,574</u>	<u>341,268</u>
Payments received by the AAUP	<u>197,687</u>	<u>157,385</u>
Net funds owed by the AAUP Foundation after payments	<u>\$ 165,887</u>	<u>\$ 183,883</u>

In November 2018, 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 year 2019 and 2020. The total amount funded by the AAUP to the AAUP Foundation for 2020 and 2019 was \$11,522 and \$155,927, respectively, which amounts are reflected as contribution revenues without donor restrictions. Also in November 2018, 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 year 2019. The total amount funded by the AAUP-CBC to the AAUP for 2019 was \$36,575 and is reflected as without donor restricted contribution revenues.

During the years ended December 31, 2020 and 2019, the AAUP Foundation made grants (assets released from restrictions) to AAUP programs totaling \$167,663 and \$247,883, 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 2020 and 2019. For the fiscal years ended December 31, 2020 and 2019, the net amount owed to the AAUP by the AAUP Foundation was \$165,887 and \$183,883, respectively.

NOTE 8. DUE TO (FROM) AAUP-CBC

As of December 31, 2019, the AAUP owed the AAUP-CBC \$-0-, originating from the following activities.

Funds to be paid by the AAUP

Beginning balance	\$ 1,184,389
Dues revenue	4,449,424
Summer Institute registration fees	110,748
Annual meeting registration fees	34,750
Publications	81,790
Grants	<u>30,000</u>
Total funds to be paid by the AAUP	<u>5,891,101</u>

Funds owed by the AAUP-CBC

Operating expenses	2,020,525
Staffing expenses	1,055,111
Meeting and travel expenses	359,590
Other expenses	<u>459,826</u>
Total funds owed by the AAUP-CBC	<u>3,895,052</u>

Net funds due from the AAUP before payments and transfers	1,996,049
Payments made from the AAUP	(1,184,389)
Payments made to AAUP Foundation	7,048
Transfer of net accounts receivable to the AAUP-CBC	555,833
Transfer of due to the AAUP-CBC (Note 14)	<u>(1,374,541)</u>
Net funds due to AAUP-CBC after payments and transfers	<u>\$ -</u>

NOTE 9. GRANTS TO AAUP-CBC

The AAUP provided grants to the AAUP-CBC totaling \$30,000 in support of the AAUP-CBC Summer Institute during the year ended December 31, 2019.

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 \$304,261 and \$264,905 for the years ended December 31, 2020 and 2019, 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 72.

NOTE 11. POSTRETIREMENT BENEFITS

The AAUP has a postretirement benefit plan and related liability. 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, 2020 and 2019 is reported on the statements of financial position and is calculated as follows:

	<u>2020</u>	<u>2019</u>
Retirees	\$ 1,607,920	\$ 1,543,604
Actives fully eligible	383,053	357,847
Actives not yet fully eligible	<u>515,769</u>	<u>550,395</u>
	<u>\$ 2,506,742</u>	<u>\$ 2,451,846</u>

Detailed reconciliation of accumulated benefit obligation for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation at beginning of year	\$ 2,451,846	\$ 2,262,822
Service cost	95,614	86,357
Interest cost	78,487	95,339
Gross benefits paid	(112,525)	(104,788)
Actuarial (gain) loss	<u>(6,680)</u>	<u>112,116</u>
Accumulated benefit obligation at end of year	<u>\$ 2,506,742</u>	<u>\$ 2,451,846</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 \$2,506,742 and \$2,451,846 at December 31, 2020 and 2019, respectively. The effect of a 1% increase in the assumed health care cost trend rates would cause the postretirement benefit obligations at December 31, 2020 and 2019 to increase by \$386,164 and \$375,221, respectively. The projected premiums to be paid to the plan for the year ending December 31, 2021 are \$120,238.

Net periodic postretirement benefit expense for the years ended December 31, 2020 and 2019 includes the following components:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 95,614	\$ 86,357
Interest cost	<u>78,487</u>	<u>95,339</u>
Total postretirement benefit expense	<u>\$ 174,101</u>	<u>\$ 181,696</u>
Total premiums paid by employer	<u>\$ 112,525</u>	<u>\$ 104,788</u>

The service cost component of net periodic benefit expense for the year ended December 31, 2020 is \$95,614, all of which is reflected on the statement of functional expenses as salaries and fringe benefits for the year ended December 31, 2020. 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 interest cost component of net periodic benefit expense for the year ended December 31, 2020 is \$78,487, all of which is reflected on the statement of activities as an other change in net assets for the year ended December 31, 2020. 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.

Amounts that have not been recognized in the statements of activities as components of net periodic postretirement benefit cost as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Cumulative unrecognized net gain	<u>\$ (55,916)</u>	<u>\$ (49,236)</u>

The total of amounts not yet recognized as components of net periodic benefit costs as of December 31, 2020 is a gain of \$6,680, all of which is reflected on the statements of activities as an other change in net assets for the year ended December 31, 2020.

NOTE 11. POSTRETIREMENT BENEFITS (CONTINUED)

The total of amounts not yet recognized as components of net periodic benefit costs as of December 31, 2019 is a loss of \$112,116, of which \$44,588 is reflected on the statement of activities as an other change in net assets for the year ended December 31, 2019, and \$60,072 and \$7,456 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>2020</u>	<u>2019</u>
Beginning of the year	3.15%	4.15%
End of the year	2.40%	3.15%

The assumed trend for 2020 and thereafter is a grading in the rate over 20 years until the ultimate rate of 3.0% is reached. The assumed health care cost trend rate used to measure the expected cost of benefits covered by the plan was 9.0% and 7.0% for years ended December 31, 2020 and 2019, 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:

2021	\$	120,238
2022		123,000
2023		111,000
2024		117,000
2025		117,000
2026-2030		592,000

NOTE 12. CONTRACT BALANCES

Contract Balances

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities associated with revenue from exchange transactions. Contract assets consist entirely of trade accounts receivable, which are recognized only to the extent it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods or services that will be or have been transferred. Contract liabilities consist entirely of deferred revenue that results when we receive advance payments from our members and customers before revenue is recognized. Balances in these accounts as of the beginning and end of the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accounts receivable			
Membership dues	\$ 1,231,310	\$ 787,957	\$ 393,920
Other	<u>6,157</u>	<u>10,253</u>	<u>-</u>
	<u>\$ 1,237,467</u>	<u>\$ 798,210</u>	<u>\$ 393,920</u>
Deferred revenue			
Membership dues	<u>\$ 693,035</u>	<u>\$ 495,823</u>	<u>\$ 450,019</u>

NOTE 13. INVESTMENTS

The investments consist of the following investment classes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 3,486	\$ 4,113,587
U.S. government bonds	500,060	-
Corporate bonds	7,216,627	-
Certificates of deposit	<u>2,473,966</u>	<u>4,493,172</u>
	<u>\$ 10,194,139</u>	<u>\$ 8,606,759</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.

NOTE 13. INVESTMENTS (CONTINUED)

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.

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, 2020 and 2019, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2020			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 3,486	\$ -	\$ 3,486	\$ -
U.S. government bonds	500,060	-	500,060	-
Corporate bonds	7,216,627	-	7,216,627	-
Certificates of deposit	2,473,966	-	2,473,966	-
	<u>\$ 10,194,139</u>	<u>\$ -</u>	<u>\$ 10,194,139</u>	<u>\$ -</u>
	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>

For the years ended December 31, 2020 and 2019, there have been no transfers in or out of Levels 1, 2 or 3.

NOTE 13. INVESTMENTS (CONTINUED)

Investment income consists of the following components for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 135,890	\$ 101,396
Net investment gains (losses)	<u>(14,584)</u>	<u>4,951</u>
Total investment income	<u>\$ 121,306</u>	<u>\$ 106,347</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-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 statements 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 has a lease agreement 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. In April 2021, AAUP executed a third amendment to the lease agreement reducing base rent effective April 1, 2021, and reducing the lease term by two months, until November 30, 2022. Annual base rent for year ended December 31, 2020 was approximately \$276,865. Total deferred rent as of December 31, 2020 and 2019 was \$88,431 and \$115,699, respectively.

Office rent expense totaled \$249,597 and \$293,897 for the years ended December 31, 2020 and 2019, respectively. The required future minimum lease payments as of December 31, 2020 are due as follows:

Year Ending December 31,	
2021	\$ 256,504
2022	<u>234,344</u>
Total	<u>\$ 490,848</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 for 2020 and 2019 was \$812 and \$2,970, 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, 2020 and 2019, and determined that there were no matters that would require recognition or disclosure in the financial statements. As of December 31, 2020, the statute of limitations for tax years 2017 through 2019 remains open with the Federal and local jurisdiction in 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 had a revolving line of credit with Bank of America in the amount of \$300,000 during the years ended December 31, 2020 and 2019. The line of credit expired on March 31, 2021 and was not renewed. The line of credit carried a floating interest rate equal to LIBOR Rate plus 3.01% and was secured by accounts receivable and equipment owned by the organization. There were no borrowings under this line of credit during the years ended December 31, 2020 and 2019.

NOTE 19. SIGNIFICANT UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of the pandemic on AAUP's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on AAUP's members, employees, and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which the pandemic may impact AAUP's financial position, changes in net assets, and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

NOTE 20. SUBSEQUENT EVENTS

Subsequent to year-end, AAUP renegotiated its office space lease. In April 2021, AAUP executed a third amendment to the lease agreement reducing base rent effective April 1, 2021, and reducing the lease term by two months, until November 30, 2022. All subsequent events have been evaluated through May 20, 2021, which is the date the financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.