

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

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## **REPORT OF INDEPENDENT AUDITORS**

To the Council  
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, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Association of University Professors as of December 31, 2016 and 2015, 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.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Calibre CPA Group, PLLC*

Bethesda, MD  
May 19, 2017

AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
ASSETS		
Cash	\$ 3,522,766	\$ 2,700,892
Account receivable, net	324,350	318,715
Prepaid expenses and deposits	34,842	32,448
Due from AAUP Foundation	358,611	411,793
Loan receivable	10,000	10,000
Property, equipment, and improvements, net	<u>135,660</u>	<u>71,615</u>
Total assets	<u>\$ 4,386,229</u>	<u>\$ 3,545,463</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 330,255	\$ 297,247
Due to AAUP-Collective Bargaining Congress	385,285	592,223
Deferred membership revenue	384,590	395,693
Deferred rent	199,422	214,721
Postretirement benefit obligation	2,205,625	2,055,034
Security deposit	<u>-</u>	<u>10,000</u>
Total liabilities	3,505,177	3,564,918
NET ASSETS (DEFICIT)		
Unrestricted	<u>881,052</u>	<u>(19,455)</u>
Total liabilities and net assets	<u>\$ 4,386,229</u>	<u>\$ 3,545,463</u>

See accompanying notes to financial statements.

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>REVENUE</b>		
Membership dues	\$ 2,579,249	\$ 2,371,897
Publications	349,813	334,490
Meeting registration and fees	54,424	35,558
Grants	151,623	19,540
Miscellaneous income	49,451	79,971
Total revenue	3,184,560	2,841,456
<b>EXPENSES</b>		
Program services		
Policy and legal advocacy	220,337	197,128
Member services	320,753	367,772
Communications	495,497	437,240
Research	73,195	77,071
Education	5,392	10,631
Conferences	42,679	39,530
Government relations	6,881	5,281
Total program services	1,164,734	1,134,653
Supporting services		
Leadership	325,962	406,861
General and administrative	753,116	851,388
Total supporting services	1,079,078	1,258,249
Total expenses	2,243,812	2,392,902
<b>EXCESS OF REVENUE OVER EXPENSES</b>	940,748	448,554
<b>POSTRETIREMENT-RELATED CHANGES OTHER THAN PERIODIC POSTRETIREMENT BENEFIT COST</b>	(40,241)	5,540
<b>CHANGE IN NET ASSETS</b>	900,507	454,094
<b>NET ASSETS (DEFICIT)</b>		
Beginning of year	(19,455)	(473,549)
End of year	\$ 881,052	\$ (19,455)

See accompanying notes to financial statements.

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 900,507	\$ 454,094
Adjustments to reconcile change in net assets to cash provided by operating activities		
Change in allowance for doubtful accounts	(22,811)	(1,269)
Depreciation and amortization	41,819	147,178
Change in assets and liabilities		
Accounts receivable	17,176	85,880
Prepaid expenses and deposits	(2,394)	9,486
Due From AAUP Foundation	53,182	(233,724)
Accounts payable and accrued expenses	33,008	(47,914)
Due to AAUP-Collective Bargaining Congress	(206,938)	840,629
Deferred membership revenue	(11,103)	18,454
Deferred rent	(15,299)	214,721
Post-Retirement benefit obligation	150,591	38,532
Security deposit	(10,000)	-
Net cash provided by operating activities	927,738	1,526,067
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, equipment and improvements	(105,864)	(52,144)
Net cash used for investing activities	(105,864)	(52,144)
<b>NET CHANGE IN CASH</b>	821,874	1,473,923
<b>CASH</b>		
Beginning of year	2,700,892	1,226,969
End of year	\$ 3,522,766	\$ 2,700,892
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ 5,542	\$ 13,087

See accompanying notes to financial statements.

# AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

### 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 Section 501(c)(6). The purpose of the AAUP is to facilitate more effective cooperation among teachers and research scholars in universities and colleges, and in professional schools of similar grade, for the promotion of the interest of higher education and research, and generally 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 Internal Revenue Code 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
- AAUP Foundation, a 501(c)(3) public charity

The three entities will 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. The AAUP Foundation subsequently transferred some of its assets and liabilities to the AAUP to facilitate the effective operations of the three formed related entities.



## **NOTE 1. ORGANIZATION (CONTINUED)**

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 association) serves as the paymaster for the three entities. The allocation of membership dues is discussed in Note 11. 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. 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.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Method of Accounting** - The accompanying financial statements are prepared using the accrual basis of accounting.

**Financial Statement Presentation** - The financial statements have been presented in accordance with U.S. generally accepted accounting principles, which require AAUP to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Classification of net assets into these classes is based on the existence or absence of donor-imposed restrictions. For the years ended December 31, 2016 and 2015, all of AAUP's net assets are unrestricted. AAUP's expenses are also required to be classified on a functional basis, which is presented in the supplementary information accompanying the financial statements.

**Donor-Imposed Restrictions** - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted support which increases temporarily restricted net assets. When restrictions are fulfilled in the same time period as the contribution is received, the contribution is reported as temporarily restricted support and AAUP recognizes net assets released from restrictions. The AAUP received no contributions with donor-imposed restrictions during the years ended December 31, 2016 and 2015.

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

**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.

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

**Accounts Receivable** - Accounts receivable is comprised of unpaid invoices for membership dues and other services provided. The allowance for doubtful accounts reflects management's best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts.

**Revenue Recognition** - The AAUP recognizes membership dues and subscriptions to *Academe*, its professional journal, as revenue over the applicable membership or subscription period.

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

**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. 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 4. ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Accounts receivable:		
Membership dues	\$ 320,061	\$ 334,320
Other	<u>59,164</u>	<u>62,081</u>
	379,225	396,401
Allowance for doubtful accounts	<u>(54,875)</u>	<u>(77,686)</u>
Accounts receivable, net	<u>\$ 324,350</u>	<u>\$ 318,715</u>

Membership dues are generally payable within one year. AAUP has assumed from the Predecessor 501(c)(3) Organization and entered into arrangements with seven chapters to accept payment over two to ten years for dues in arrears totaling \$407,881 at December 31, 2016. 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, 2016 and 2015.

**NOTE 5. PROPERTY, EQUIPMENT, AND IMPROVEMENTS**

Property, equipment, and improvements at December 31, 2016 consist of the following:

	2016		
	<u>Furniture &amp; Equipment</u>	<u>Leasehold Improvements</u>	<u>Total Fixed Assets</u>
Furniture and/or fixtures	\$ 28,399	\$ 207,952	\$ 236,351
Equipment and software	<u>617,034</u>	<u>-</u>	<u>617,034</u>
	645,433	207,952	853,385
Accumulated depreciation/amortization	<u>(512,550)</u>	<u>(205,175)</u>	<u>(717,725)</u>
Fixed assets, net	<u>\$ 132,883</u>	<u>\$ 2,777</u>	<u>\$ 135,660</u>

Property, equipment, and improvements at December 31, 2015 consist of the following:

	2015		
	<u>Furniture &amp; Equipment</u>	<u>Leasehold Improvements</u>	<u>Total Fixed Assets</u>
Furniture and/or fixtures	\$ 28,399	\$ 207,952	\$ 236,351
Equipment and software	<u>511,169</u>	<u>-</u>	<u>511,169</u>
	539,568	207,952	747,520
Accumulated depreciation/amortization	<u>(473,840)</u>	<u>(202,065)</u>	<u>(675,905)</u>
Fixed assets, net	<u>\$ 65,728</u>	<u>\$ 5,887</u>	<u>\$ 71,615</u>

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 totaled \$41,819 and \$147,178, respectively.

**NOTE 6. DUE FROM AAUP FOUNDATION**

At December 31, 2016 and 2015, the AAUP Foundation owed the AAUP \$358,611 and \$411,793, respectively, originating from the following activities.

	<u>2016</u>	<u>2015</u>
<b>FUNDS TO BE PAID BY THE AAUP</b>		
Contributions	\$ 81,280	\$ 20,878
Other revenue	<u>-</u>	<u>4,630</u>
Total funds to be paid by the AAUP	<u>81,280</u>	<u>25,508</u>
<b>FUNDS OWED BY THE AAUP FOUNDATION</b>		
Beginning balance	411,793	178,069
Staffing expenses	110,500	87,729
Operating expenses	147,173	118,538
Fundraising	16,335	13,399
Legal and auditing	30,054	21,196
Grants	138,404	18,150
Other expenses	<u>2,947</u>	<u>220</u>
Total funds owed by the AAUP Foundation	<u>857,206</u>	<u>437,301</u>
<b>NET FUNDS OWED BY THE AAUP FOUNDATION BEFORE PAYMENTS</b>	775,926	411,793
Payments received by the AAUP	<u>417,315</u>	<u>-</u>
Net funds owed by the AAUP Foundation after payments	<u>\$ 358,611</u>	<u>\$ 411,793</u>

In June 2016, the AAUP agreed to fund a portion of the AAUP Foundation's unrestricted expenses for the fiscal years 2016 through 2018. The total amount funded by the AAUP of \$18,468 is reflected as grants expense for the year ended December 31, 2016.

During 2015, the AAUP agreed to reimburse the AAUP Foundation for a portion of the fees and expenses for a development program. The total amount funded by the AAUP of \$1,802 is reflected as grants expense for the year ended December 31, 2015.

**NOTE 7. DUE TO (FROM) AAUP-CBC**

As of December 31, 2016 and 2015, the AAUP owed the AAUP-CBC \$385,285 and \$592,223, respectively, originating from the following activities.

	<u>2016</u>	<u>2015</u>
FUNDS TO BE PAID BY THE AAUP		
Beginning balance	\$ 592,223	\$ (248,406)
Dues revenue	4,761,984	4,557,784
Summer Institute registration fees	99,870	117,970
Annual Meeting registration fees	111,149	72,228
Governance Conference registration fees	8,084	-
Publications	93,244	103,383
Grants	22,021	22,313
Total funds to be paid by the AAUP	<u>5,688,575</u>	<u>4,625,272</u>
FUNDS OWED BY THE AAUP-CBC		
Operating expenses	2,271,867	2,357,222
Staffing expenses	1,051,590	969,485
Meeting and travel expenses	301,379	392,969
Other expenses	458,537	320,028
Total funds owed by the AAUP-CBC	<u>4,083,373</u>	<u>4,039,704</u>
NET FUNDS DUE FROM THE AAUP BEFORE PAYMENTS AND TRANSFERS	1,605,202	585,568
Payments made from the AAUP	(1,242,223)	(99,992)
Transfer of net accounts receivable to the AAUP-CBC	22,306	106,647
Net funds due to AAUP-CBC after payments and transfers	<u>\$ 385,285</u>	<u>\$ 592,223</u>

**NOTE 8. GRANTS TO AAUP-CBC**

The AAUP and the AAUP-CBC entered into an agreement in November 2012, effective January 1, 2013, that requires the AAUP to grant the AAUP-CBC the value of the CBC Treasury Fund (\$135,008) and CBC Emergency Fund (\$64,976) as reported in the December 31, 2012 audited financial statements of the AAUP Predecessor 501 (c)(3) Organization. The grant totaled \$199,984 and is to be paid in quarterly payments over two years beginning July 1, 2014. Two final quarterly payments totaling \$49,996 were made during 2016 and four quarterly payments totaling \$99,992 were made during 2015.

The AAUP also provided grants to the AAUP-CBC totaling \$22,021 and \$22,313 in support of the AAUP-CBC Summer Institute during the years ended December 31, 2016 and 2015, respectively.

**NOTE 9. 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 \$279,999 and \$273,057 for the years ended December 31, 2016 and 2015, 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 70 ½.

**NOTE 10. 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, 2016 and 2015 is reported on the statements of financial position and is calculated as follows:

	<u>2016</u>	<u>2015</u>
Retirees	\$ 1,514,831	\$ 1,473,184
Actives fully eligible	324,967	328,207
Actives not yet fully eligible	<u>365,827</u>	<u>253,643</u>
	<u>\$ 2,205,625</u>	<u>\$ 2,055,034</u>

**NOTE 10. POSTRETIREMENT BENEFITS (CONTINUED)**

Detailed reconciliation of accumulated benefit obligation for 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Change in Accumulated Benefit Obligation		
Accumulated benefit obligation at beginning of year	\$ 2,055,034	\$ 2,016,502
Service cost	62,496	75,037
Interest cost	82,437	81,634
Gross benefits paid	(114,356)	(102,417)
Actuarial (gain) loss	<u>120,014</u>	<u>(15,722)</u>
Accumulated benefit obligation at end of year	<u>\$ 2,205,625</u>	<u>\$ 2,055,034</u>

Net periodic postretirement benefit expense for the years ended December 31, 2016 and 2015 includes the following components:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 62,496	\$ 75,037
Interest cost	<u>82,437</u>	<u>81,634</u>
Total postretirement benefit expense	<u>\$ 144,933</u>	<u>\$ 156,671</u>
Total premiums paid by employer	<u>\$ 114,356</u>	<u>\$ 102,417</u>

As there are no plan assets, the excess of postretirement benefit obligation over plan assets equals the value of the postretirement benefit obligation of \$2,205,625 and \$2,055,034 at December 31, 2016 and 2015, respectively. The effect of a 1% increase in the assumed health care cost trend rates would cause the postretirement benefit obligations at December 31, 2016 and 2015 to increase by \$319,289 and \$270,192, respectively. The projected premiums to be paid to the plan for the year ending December 31, 2017 are \$112,487.

Amounts that have not been recognized in the statements of activities as components of net periodic postretirement benefit cost as of December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Cummulative unrecognized net gain	<u>\$ (83,590)</u>	<u>\$ (203,604)</u>

The total of amounts not yet recognized as components of net periodic benefit costs for the year ended December 31, 2016 is a loss of \$120,014, of which \$40,241 is reflected on the statement of activities for the year ended December 31, 2016, and \$71,924 and \$7,849 are allocated to the AAUP-CBC and the AAUP Foundation, respectively. The total of amounts not yet recognized

**NOTE 10. POSTRETIREMENT BENEFITS (CONTINUED)**

as components of net periodic benefit costs for the year ended December 31, 2015 is a gain of \$15,722, of which \$5,540 is reflected on the statement of activities for the year ended December 31, 2015, and \$9,446 and \$736 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>2016</u>	<u>2015</u>
Beginning of the year	4.00%	4.00%
End of the year	4.00%	4.00%

The assumed trend for 2016 and thereafter is a grading in the rate over 13 years until the ultimate rate of 4.00% is reached. The assumed health care cost trend rate used to measure the expected cost of benefits covered by the Plan was 8.07% and 8.39% for years ended December 31, 2016 and 2015, 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:

2017	\$	112,487
2018		113,000
2019		110,000
2020		119,000
2021		125,000
2022-2026		659,000

**NOTE 11. MEMBERSHIP DUES**

Membership dues consist of the following for the years ended December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Membership dues from advocacy chapters	\$ 1,430,865	\$ 1,296,563
Share of joint dues with AAUP-CBC	<u>1,148,384</u>	<u>1,075,334</u>
	<u>\$ 2,579,249</u>	<u>\$ 2,371,897</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 (75%) and the AAUP (25%).



## NOTE 12. COMMITMENTS

AAUP assumed the lease agreement entered into by the Predecessor 501(c)(3) Organization for office space, including electricity, which was extended until January 31, 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. Annual base rent for year ended December 31, 2016 was approximately \$342,485. The lease amendment provides for a 3.5 percent annual escalation, with the abatement of rent for the first seven full calendar months of 2015. Total deferred rent as of December 31, 2016 and 2015 was \$199,422 and \$214,721, respectively.

On August 27, 2014, the AAUP entered into a sublease agreement for 2,820 rental square feet through January 30, 2016. The annual sublease income is \$84,600. A security deposit in the amount of \$10,000 was received at the time of the agreement.

Office rent expense totaled \$342,485 and \$318,832 for the years ended December 31, 2016 and 2015, respectively. The required future minimum lease payments for years 2016 through 2021 are as follows:

Year ending December 31,	
2017	\$ 369,170
2018	382,091
2019	395,464
2020	409,305
2021	<u>35,302</u>
Total	<u>\$ 1,591,332</u>

## NOTE 13. TAX STATUS

AAUP is exempt from federal income tax under Internal Revenue Code 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 2016 and 2015 was \$5,271 and \$12,318, 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, 2016 and 2015, and determined that there were no matters that would require recognition in the financial statements. As of December 31, 2016, the statute of limitations for tax years 2013 through 2015 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 14. RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2016 and 2015, in accordance with the MOU, the AAUP transferred accounts receivable of \$779,911 and \$839,061 and its related allowance for doubtful accounts of \$112,290 and \$150,588 to the AAUP-CBC, respectively.

During the years ended December 31, 2016 and 2015, the AAUP Foundation made grants to AAUP programs totaling \$151,623 and \$19,540, respectively.

**NOTE 15. LINE OF CREDIT**

AAUP has a revolving line of credit with Bank of America in the amount of \$300,000. The line of credit carried a variable interest rate equal to Wall Street Journal Prime Rate plus 1.5% and is secured by accounts receivable and equipment owned by the organization. The line of credit is due to expire in June 2017. There were no borrowings under this line of credit during the years ended December 31, 2016 and 2015.

**NOTE 16. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 19, 2017, which is the date the financial statements were available to be issued. The review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

## **SUPPLEMENTARY INFORMATION**

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**SCHEDULE OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	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	\$ 187,147	\$ 222,139	\$ 309,270	\$ 60,822	\$ 3,460	\$ 15,629	\$ 5,024	\$ 134,779	\$ 414,877	\$ 1,353,147				
Contracted services	335	17,442	23,828	3,741	-	164	-	55,487	98,566	199,563				
Meetings and travel	30,916	19,105	1,672	2,560	1,921	26,174	1,443	132,447	907	217,145				
Facilities	-	175	2,975	-	-	174	-	-	115,362	118,686				
Grants	-	52,022	-	-	-	-	-	-	43,122	95,144				
Insurance and business fees	-	2,284	105	4,163	-	-	-	-	31,238	37,790				
Office expenses	1,939	4,884	156,689	1,835	11	547	12	3,249	44,947	214,113				
Joint organizing costs	-	13,936	-	-	-	-	-	-	-	13,936				
Recovery of bad debt expense	-	(16,512)	-	-	-	-	-	-	-	(16,512)				
Other expenses	-	5,278	958	74	-	(9)	402	-	4,097	10,800				
	<u>\$ 220,337</u>	<u>\$ 320,753</u>	<u>\$ 495,497</u>	<u>\$ 73,195</u>	<u>\$ 5,392</u>	<u>\$ 42,679</u>	<u>\$ 6,881</u>	<u>\$ 325,962</u>	<u>\$ 753,116</u>	<u>\$ 2,243,812</u>				

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**  
**SCHEDULE OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2015

	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	\$ 185,536	\$ 233,150	\$ 198,627	\$ 64,997	\$ 5,405	\$ 13,554	\$ 3,666	\$ 159,246	\$ 480,890	\$ 1,345,071	
Contracted services	1,325	28,842	21,742	5,441	1,644	-	-	66,800	90,986	216,780	
Meetings and travel	9,478	23,539	-	1,639	3,565	2,246	1,588	177,816	3,526	223,397	
Facilities	7	1,453	2,729	1,666	-	135	-	-	116,392	122,382	
Grants	-	55,055	-	-	-	22,313	-	-	7,714	85,082	
Insurance and business fees	-	-	200	-	-	-	-	-	92,616	92,816	
Office expenses	782	6,915	213,353	417	17	1,282	27	2,999	51,672	277,464	
Joint organizing costs	-	20,149	-	-	-	-	-	-	-	20,149	
Recovery of bad debt expense	-	(1,331)	-	-	-	-	-	-	-	(1,331)	
Other expenses	-	-	589	2,911	-	-	-	-	7,592	11,092	
	<u>\$ 197,128</u>	<u>\$ 367,772</u>	<u>\$ 437,240</u>	<u>\$ 77,071</u>	<u>\$ 10,631</u>	<u>\$ 39,530</u>	<u>\$ 5,281</u>	<u>\$ 406,861</u>	<u>\$ 851,388</u>	<u>\$ 2,392,902</u>	