



**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS  
AND AAUP FOUNDATION  
(A SUPPORTING ORGANIZATION)**

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022





**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS  
AND AAUP FOUNDATION**

COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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7501 WISCONSIN AVENUE | SUITE 1200 WEST  
BETHESDA, MD 20814  
T: 202.331.9880 | F: 202.331.9890

## INDEPENDENT AUDITOR'S REPORT

To the Council and Board of Directors of  
American Association of University Professors and AAUP Foundation

### Opinion

We have audited the accompanying combined financial statements of American Association of University Professors and AAUP Foundation (AAUP), which comprise the combined statements of financial position as of December 31, 2022 and 2021, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of AAUP as of December 31, 2022 and 2021, and the combined changes in their net assets and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

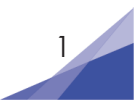
### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of AAUP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Adjustment

As discussed in Note 15 to the combined financial statements, AAUP restated its 2021 combined financial statements and net assets as of December 31, 2020 during the current year to correct misstatements identified in the previously issued combined financial statements.

As part of our audit of the 2022 combined financial statements, we also audited the adjustments described in Note 15 that were applied to restate the 2021 combined financial statements and net assets as of December 31, 2020. In our opinion, such adjustments are appropriate and have been properly applied.





## **Responsibilities of Management for the Combined Financial Statements**

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


In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AAUP's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AAUP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AAUP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Combining Information**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 28 and 29 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and is not a required part of the combined 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 combined financial statements. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*CaliberCPAGroup, PLLC*

Bethesda, MD  
August 15, 2023



## AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS AND AAUP FOUNDATION

### COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	(Restated) 2021
<b>Assets</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 1,329,743	\$ 1,018,648
Investments	10,915,389	12,394,213
Accounts receivable, net	2,838,914	1,814,213
Prepaid expenses and deposits	7,679	7,007
Accrued interest	31,822	36,799
Operating lease right-of-use asset	1,791,970	-
Property, equipment, and improvements - net	603,806	224,949
Total assets	\$ 17,519,323	\$ 15,495,829
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,492,161	\$ 549,656
Deferred membership revenue	590,741	610,768
Deferred rent	-	47,334
Operating lease liability	2,365,982	-
Postretirement benefit obligation	1,856,872	2,306,919
Refundable advance	36,676	71,863
Total liabilities	6,342,432	3,586,540
<b>Net assets</b>		
Without donor restrictions	10,841,433	11,345,651
With donor restrictions		
Temporary restrictions	295,458	523,638
Perpetual restrictions	40,000	40,000
Total with donor restrictions	335,458	563,638
Total net assets	11,176,891	11,909,289
Total liabilities and net assets	\$ 17,519,323	\$ 15,495,829

See accompanying notes to combined financial statements.

# AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS AND AAUP FOUNDATION

## COMBINED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				(Restated) 2021					
	Without Donor Restrictions	With Donor Restrictions			Total	Without Donor Restrictions	With Donor Restrictions			Total
		Temporary	Perpetual	Total			Temporary	Perpetual	Total	
<b>Revenue</b>										
Membership dues	\$ 8,176,554	\$ -	\$ -	\$ -	\$ 8,176,554	\$ 8,437,280	\$ -	\$ -	\$ -	\$ 8,437,280
AFT support	1,522,907	-	-	-	1,522,907	-	-	-	-	-
Contributions	43,149	39,587	-	39,587	82,736	72,759	19,992	-	19,992	92,751
Investment income, net	(1,238,226)	(132,437)	-	(132,437)	(1,370,663)	(33,966)	74,889	-	74,889	40,923
Publications	128,885	-	-	-	128,885	122,452	-	-	-	122,452
Meeting registration and fees	65,785	-	-	-	65,785	-	-	-	-	-
Miscellaneous income	43,466	-	-	-	43,466	49,064	-	-	-	49,064
Net assets released from restrictions	135,330	(135,330)	-	(135,330)	-	115,039	(115,039)	-	(115,039)	-
<b>Total revenue</b>	<b>8,877,850</b>	<b>(228,180)</b>	<b>-</b>	<b>(228,180)</b>	<b>8,649,670</b>	<b>8,762,628</b>	<b>(20,158)</b>	<b>-</b>	<b>(20,158)</b>	<b>8,742,470</b>
<b>Expenses</b>										
Program services										
Policy and legal advocacy	786,113	-	-	-	786,113	497,766	-	-	-	497,766
Member services	3,541,558	-	-	-	3,541,558	2,450,977	-	-	-	2,450,977
Communications	956,078	-	-	-	956,078	1,006,201	-	-	-	1,006,201
Research	460,139	-	-	-	460,139	405,012	-	-	-	405,012
Education	14,597	-	-	-	14,597	40,748	-	-	-	40,748
Conferences	296,604	-	-	-	296,604	79,546	-	-	-	79,546
Academic freedom	19,090	-	-	-	19,090	-	-	-	-	-
Other grants	14,119	-	-	-	14,119	18,962	-	-	-	18,962
<b>Total program services</b>	<b>6,088,298</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,088,298</b>	<b>4,499,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,499,212</b>
Supporting services										
Leadership	711,590	-	-	-	711,590	371,441	-	-	-	371,441
General and administrative	3,048,324	-	-	-	3,048,324	2,509,854	-	-	-	2,509,854
Fundraising	7,499	-	-	-	7,499	10,231	-	-	-	10,231
<b>Total supporting services</b>	<b>3,767,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,767,413</b>	<b>2,891,526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,891,526</b>
<b>Total expenses</b>	<b>9,855,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,855,711</b>	<b>7,390,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,390,738</b>
<b>Excess (deficit) of revenue over expenses</b>	<b>(977,861)</b>	<b>(228,180)</b>	<b>-</b>	<b>(228,180)</b>	<b>(1,206,041)</b>	<b>1,371,890</b>	<b>(20,158)</b>	<b>-</b>	<b>(20,158)</b>	<b>1,351,732</b>
<b>Other changes in net assets</b>										
Other components of net periodic postretirement benefit cost	(65,850)	-	-	-	(65,850)	(61,365)	-	-	-	(61,365)
Postretirement-related changes other than net periodic postretirement benefit cost	539,493	-	-	-	539,493	250,838	-	-	-	250,838
<b>Change in net assets</b>	<b>(504,218)</b>	<b>(228,180)</b>	<b>-</b>	<b>(228,180)</b>	<b>(732,398)</b>	<b>1,561,363</b>	<b>(20,158)</b>	<b>-</b>	<b>(20,158)</b>	<b>1,541,205</b>
<b>Net assets</b>										
Beginning of year	11,345,651	523,638	40,000	563,638	11,909,289	9,784,288	543,796	40,000	583,796	10,368,084
End of year	\$ 10,841,433	\$ 295,458	\$ 40,000	\$ 335,458	\$ 11,176,891	\$ 11,345,651	\$ 523,638	\$ 40,000	\$ 563,638	\$ 11,909,289

See accompanying notes to combined financial statements.

# AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS AND AAUP FOUNDATION

## COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services							Supporting Services				Total
	Policy and Legal Advocacy	Member Services	Communications	Research	Education	Conferences	Academic Freedom	Other Grants	Leadership	General and Administrative	Fundraising	
Salaries and fringe benefits	\$ 673,685	\$ 1,686,812	\$ 745,856	\$ 367,742	\$ 11,586	\$ 96,846	\$ -	\$ -	\$ 318,004	\$ 1,819,873	\$ -	\$ 5,720,404
Contracted services	16,585	126,835	19,093	4,763	90	38,916	-	12,119	78,995	561,618	642	859,656
Meetings and travel	38,665	120,974	9,727	11,817	2,096	153,759	-	-	291,219	85,152	-	713,409
Facilities	47,952	120,064	53,089	26,175	825	6,893	-	-	22,635	129,535	-	407,168
Grants	-	347,670	-	-	-	-	19,090	2,000	-	-	-	368,760
Insurance and business fees	-	62,779	-	75	-	-	-	-	-	72,762	5,707	141,323
Office expenses	9,226	37,461	127,295	47,841	-	190	-	-	737	168,597	-	391,347
Joint organizing costs	-	124,079	-	-	-	-	-	-	-	-	-	124,079
Bad debt expense	-	-	-	-	-	-	-	-	-	170,742	-	170,742
Per capita tax	-	909,176	-	-	-	-	-	-	-	-	-	909,176
Other expenses	-	5,708	1,018	1,726	-	-	-	-	-	40,045	1,150	49,647
	786,113	3,541,558	956,078	460,139	14,597	296,604	19,090	14,119	711,590	3,048,324	7,499	9,855,711
Other components of net periodic postretirement benefit cost	7,755	19,418	8,586	4,233	133	1,115	-	-	3,661	20,949	-	65,850
<b>Total</b>	<b>\$ 793,868</b>	<b>\$ 3,560,976</b>	<b>\$ 964,664</b>	<b>\$ 464,372</b>	<b>\$ 14,730</b>	<b>\$ 297,719</b>	<b>\$ 19,090</b>	<b>\$ 14,119</b>	<b>\$ 715,251</b>	<b>\$ 3,069,273</b>	<b>\$ 7,499</b>	<b>\$ 9,921,561</b>

See accompanying notes to financial statements.



# AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS AND AAUP FOUNDATION

## COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	(Restated)										Total
	Program Services							Supporting Services			
	Policy and Legal Advocacy	Member Services	Communications	Research	Education	Conferences	Other Grants	Leadership	General and Administrative	Fundraising	
Salaries and fringe benefits	\$ 423,319	\$ 1,645,232	\$ 782,268	\$ 353,935	\$ 36,698	\$ 50,569	\$ -	\$ 261,920	\$ 1,471,954	\$ -	\$ 5,025,895
Contracted services	43,608	131,876	10,888	3,865	1,485	13,976	-	14,391	657,483	-	877,572
Meetings and travel	-	52,720	348	79	-	11,449	-	75,462	3,476	-	143,534
Facilities	29,585	115,975	55,201	30,889	2,565	3,534	-	18,305	102,871	-	358,925
Grants	-	318,007	-	-	-	-	18,962	-	-	-	336,969
Insurance and business fees	-	55,881	-	-	-	-	-	-	92,393	10,231	158,505
Office expenses	1,254	27,884	155,668	12,166	-	-	-	784	131,776	-	329,532
Joint organizing costs	-	85,375	-	-	-	-	-	-	-	-	85,375
Bad debt expense	-	-	-	-	-	-	-	-	28,408	-	28,408
Other expenses	-	18,027	1,828	4,078	-	18	-	579	21,493	-	46,023
	497,766	2,450,977	1,006,201	405,012	40,748	79,546	18,962	371,441	2,509,854	10,231	7,390,738
Other components of net periodic postretirement benefit cost	5,169	20,088	9,551	4,321	448	617	-	3,198	17,973	-	61,365
<b>Total</b>	<b>\$ 502,935</b>	<b>\$ 2,471,065</b>	<b>\$ 1,015,752</b>	<b>\$ 409,333</b>	<b>\$ 41,196</b>	<b>\$ 80,163</b>	<b>\$ 18,962</b>	<b>\$ 374,639</b>	<b>\$ 2,527,827</b>	<b>\$ 10,231</b>	<b>\$ 7,452,103</b>

See accompanying notes to financial statements.



## AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS AND AAUP FOUNDATION

### COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	(Restated) 2021
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (732,398)	\$ 1,541,205
Adjustments to reconcile change in net assets to cash provided by operating activities		
Change in allowance for doubtful accounts	103,691	(14,023)
Net investment losses	1,699,815	182,099
Depreciation and amortization	138,311	126,100
Non-cash additions for leasehold improvements	(517,168)	-
Change in assets and liabilities		
Accounts receivable	(1,128,392)	(356,258)
Prepaid expenses and deposits	(672)	19,065
Accrued interest	4,977	(2,879)
Operating lease right-of-use asset	(1,791,970)	-
Accounts payable and accrued expenses	942,505	(65,936)
Deferred membership revenue	(20,027)	(87,418)
Deferred rent	(47,334)	(41,097)
Lease liability	2,365,982	-
Postretirement benefit obligation	(450,047)	(199,823)
Refundable advance	(35,187)	(14,671)
Net cash provided by operating activities	<u>532,086</u>	<u>1,086,364</u>
<b>Cash flows from investing activities</b>		
Purchase of property, equipment and improvements	-	(23,044)
Purchase of investments	(1,358,491)	(1,724,519)
Sale of investments	1,137,500	105,708
Net cash used for investing activities	<u>(220,991)</u>	<u>(1,641,855)</u>
<b>Net change in cash and cash equivalents</b>	311,095	(555,491)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>1,018,648</u>	<u>1,574,139</u>
End of year	<u>\$ 1,329,743</u>	<u>\$ 1,018,648</u>
<b>Supplemental cash flow information</b>		
Cash paid for taxes	<u>\$ 8,674</u>	<u>\$ 9,593</u>

See accompanying notes to financial statements.



# AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS AND AAUP FOUNDATION

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

### **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 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 AAUP Foundation (the Foundation) is operated exclusively as a not-for-profit public charity generally exempt from federal income tax under IRC Section 501(c)(3). The purpose of the Foundation is to establish and support the principles of academic freedom and the quality of higher education in a free and democratic society.

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

In August 2021, the Foundation and AAUP leadership bodies determined that due to their continuous and coordinated operational relationship the Foundation should seek reclassification of its foundation status under IRC Section 509(a)(3). Therefore, the Foundation has changed its foundation classification from that of a publicly supported charity to that of a Type II supporting organization under IRC Section 509(a)(3). The Foundation demonstrates that it is a supporting organization within the meaning of IRC Section 509(a)(3) because the Foundation i) is organized to support AAUP, an eligible supported organization; ii) is conducting activities that benefit AAUP; iii) shall not be supported by donors (or their family members) who make significant contributions; and iv) is a Type II supporting organization of AAUP because the Foundation is supervised and controlled by the same persons who control AAUP. The members of AAUP leadership body automatically serve as members of the Foundation board of directors once they are elected to AAUP leadership body.



## NOTE 1. ORGANIZATION (CONTINUED)

The delegates to the AAUP Biennial Association Meeting voted to affiliate with the AFT at the June 2022 meeting, effective August 1, 2022. Through this affiliation, the AAUP became a “national regional council” of the AFT. As of August 1, 2022 all current AAUP members are, by virtue of being a dues-paying AAUP member, are also AFT/AFL-CIO members with all the rights, privileges, responsibilities and benefits that go with being AFT members. Members of AAUP collective bargaining chapters will continue to pay dues to their AAUP chapter/union. The chapter then forwards a portion of its dues to AAUP. From this, the AAUP forwards to AFT the AFT per capita tax amount. The rate paid to the AFT depends on the type of member.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Combination** - The combined financial statements include the accounts and transactions of AAUP and the Foundation (hereinafter, AAUP). All inter-company balances and transactions have been eliminated in these combined financial statements. The financial statements have been combined due to the presence of common control and economic interest.

**Method of Accounting** - The accompanying combined financial statements are prepared using the accrual basis of accounting. Under this basis, revenue is 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, 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 without donor restrictions* - These net assets are available to finance the general operations of AAUP. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of 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 AAUP is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.

**Lease Policy** - In its combined statements of financial position, AAUP records a right-of-use asset and lease liability, initially measured at the present value of total lease payments using a risk-free rate that approximates the remaining term of the lease. AAUP considers the likelihood of exercising renewal or termination clauses (if any) in measuring its right-of-use assets and lease liabilities. A single lease cost calculated so that the cost



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

of the lease is allocated over the lease term on a straight-line basis. Short-term leases (those with an initial term of twelve months or less and no purchase option) are expensed over their terms, with no corresponding right-of-use asset or lease liability recorded. AAUP does not separate non-lease components (if any) from lease components in determining the lease payments for leases of office equipment.

**Donor-Imposed Restrictions** - All contributions are reported as increases in net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified and reported in the combined statements of activities as net assets released from restrictions.

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

**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. Equities and exchange-traded funds/mutual funds are valued based on quoted market prices. 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, 2022 and 2021. Realized and unrealized gains and losses are included in net investment income on the combined 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 combined 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 AAUP has an unconditional right to receive payment. Accounts receivables 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, 2022 and 2021, management determined the allowance for doubtful accounts to be \$190,767 and \$87,076, respectively.



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

**Refundable Advances** - 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.

**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 AAUP members and customers, in an amount that reflects the consideration AAUP expects 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 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 its 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.



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

**Functional Allocation of Expenses** - The costs of providing the various programs and supporting activities of AAUP have been summarized on a functional basis in the combined 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 combined financial statements. Actual results may differ from the reported amounts.

**New Accounting Pronouncements Adopted** - During the year ended December 31, 2022, AAUP adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The Update requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the combined statement of activities, apart from contributions of cash or other financial assets. The Update also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this Update did not have a significant impact on the financial statements, as these amounts are eliminated between the two entities.

During the year ended December 31, 2022, AAUP also adopted the provisions of ASU 2016-02, *Leases* (Topic 842). This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02 requires lessees to report a right-of-use asset along with a lease liability.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases in the combined statements of financial position. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the combined financial statements and instead recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. AAUP adopted ASU 2016-02 and its related amendments as of January 1, 2022, which resulted in the recognition of operating right-of-use assets, as well as operating lease liabilities. AAUP elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts or disclosures. The related policy elections made by AAUP can be found in this note and the additional lease disclosures can be found in Note 13. There was no cumulative effect adjustment to the opening balance of net assets.

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

AAUP elected to apply all practical expedients available under the ASU, allowing it to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; 3) not reassess initial direct costs for any existing leases; and 4) utilize the risk-free interest rate. AAUP also elected to apply the practical expedient to use hindsight in determining the lease term which in the year of implementation AAUP has determined to be the remaining lease term.

**Reclassifications** - Certain reclassifications have been made to the amounts previously reported for 2021 to conform to the presentation for 2022. These reclassifications did not change total assets, total liabilities, or changes in net assets for 2021 from the totals previously reported, except as discussed in Note 15.

## NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of 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 a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal.

The following table represents AAUP's financial assets available to meet cash needs for general expenditures within one year of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Total assets at end of year	\$ 17,519,323	\$ 15,495,829
Less: nonfinancial assets		
Prepaid expenses and deposits	(7,679)	(7,007)
Operating lease right-of-use-asset	(1,791,970)	-
Property, equipment, and improvements, net	<u>(603,806)</u>	<u>(224,949)</u>
Total financial assets at end of year	15,115,868	15,263,873
Less: amounts not available to meet general expenditures coming due within one year		
Net assets with donor restrictions	(335,458)	(563,638)
Refundable advance	(36,676)	(71,863)
Accounts receivable	<u>(346,097)</u>	<u>(58,751)</u>
Financial assets available to meet general expenditures coming due in the next year	<u>\$ 14,397,637</u>	<u>\$ 14,569,621</u>



#### NOTE 4. UNINSURED CASH

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, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Accounts receivable		
Membership dues	\$ 1,528,840	\$ 1,372,363
AFT support	906,250	-
Other	<u>594,591</u>	<u>528,926</u>
	3,029,681	1,901,289
Allowance for doubtful accounts	<u>(190,767)</u>	<u>(87,076)</u>
Accounts receivable, net	<u>\$ 2,838,914</u>	<u>\$ 1,814,213</u>

Membership dues are generally payable within one year. AAUP has entered into arrangements with certain chapters to accept payment over two to six years for dues in arrears totaling \$369,773 and \$58,751 at December 31, 2022 and 2021, 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, 2022 and 2021.

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

Property, equipment, and improvements at December 31, 2022 consist of the following:

	<u>2022</u>		
	<u>Furniture and Equipment</u>	<u>Leasehold Improvements</u>	<u>Total Fixed Assets</u>
Furniture and/or fixtures	\$ 28,399	\$ 517,168	\$ 545,567
Equipment and software	<u>1,011,704</u>	<u>-</u>	<u>1,011,704</u>
	1,040,103	517,168	1,557,271
Accumulated depreciation/amortization	<u>(940,536)</u>	<u>(12,929)</u>	<u>(953,465)</u>
Property, equipment, and improvements - net	<u>\$ 99,567</u>	<u>\$ 504,239</u>	<u>\$ 603,806</u>

## NOTE 6. PROPERTY, EQUIPMENT, AND IMPROVEMENTS (CONTINUED)

Property, equipment, and improvements at December 31, 2021 consist of the following:

	2021		
	Furniture and Equipment	Leasehold Improvements	Total Fixed Assets
Furniture and/or fixtures	\$ 28,399	\$ 207,952	\$ 236,351
Equipment and software	1,011,704	-	1,011,704
	1,040,103	207,952	1,248,055
Accumulated depreciation/amortization	(815,200)	(207,906)	(1,023,106)
Property, equipment, and improvements - net	\$ 224,903	\$ 46	\$ 224,949

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 totaled \$138,311 and \$126,100, respectively.

## NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

### Endowment Funds

The Foundation adheres to Endowments of Not-for-Profit Organizations: *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures of All Endowment Funds*. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of donor-restricted funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies the following as net assets with perpetual donor restrictions:

- a) the original value of gifts donated to a permanent endowment;
- b) the original value of subsequent gifts to a permanent endowment; and
- c) accumulation to a permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate perpetual donor restricted funds:

- a) duration and preservation of the fund;
- b) mission of the Foundation and purpose of the donor-restricted fund;
- c) general economic conditions;
- d) possible effect of inflation and deflation on the fund;
- e) expected total return from income and appreciation of investments;
- f) other Foundation resources.; and
- g) the Foundation investment policies.

## NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The Foundation's investment philosophy is to balance risk and reward in accordance with reasonable and prudent investment practices. The Foundation intends for its investment program to take a long-term perspective and to recognize the spending needs of the Foundation as reflected in its board approved spending practices. The Foundation expects its Investment Committee and those with direct responsibility for the management of the Foundation assets to maintain that long-term perspective and to take account of those spending needs in their respective roles.

The Foundation contemplates annual distribution of a significant portion of investment returns. The Foundation expects that its net assets will be invested to provide a return greater than annual distributions so that excess returns may cover future inflation, and investment management and related fees, allowing the real value of the fund principal to be preserved.

The Foundation held the following perpetual donor restricted fund as of December 31, 2022 and 2021:

Moses and Dorothy Passer Legal Defense Fund \$40,000

In the years ended December 31, 2022 and 2021, the Foundation had the following endowment related activities:

	With Donor Restrictions		
	Temporary	Perpetual	Total
Endowment Net Assets, January 1, 2021	\$ 35,938	\$ 40,000	\$ 75,938
Contributions	-	-	-
Investment income	<u>10,154</u>	<u>-</u>	<u>10,154</u>
Endowment Net Assets, December 31, 2021	46,092	40,000	86,092
Contributions	-	-	-
Investment income	<u>(22,021)</u>	<u>-</u>	<u>(22,021)</u>
Endowment Net Assets, December 31, 2022	<u>\$ 24,071</u>	<u>\$ 40,000</u>	<u>\$ 64,071</u>

### Temporary Donor Restricted Funds

The remaining portion of donor-restricted funds that are not classified as net assets with perpetual donor restrictions are classified as net assets with temporary donor restrictions until those funds are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate from its temporary donor restricted funds:

- a) general economic conditions;
- b) the possible effect of inflation or deflation;
- c) expected tax consequences, if any, of investment decisions or strategies;



## NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

- d) the role that each investment or course of action plays within the overall investment portfolio of the fund;
- e) the expected total return from income and the appreciation of investments;
- f) other resources of the Foundation;
- g) the needs of the Foundation and the fund to make distributions and to preserve capital; and
- h) an asset's special relationship or special value, if any, to the charitable purposes of the Foundation.

The Foundation holds net assets with temporary donor restrictions as of December 31, 2022 and 2021 as detailed below.

	<u>2022</u>	<u>2021</u>
Academic Freedom Fund	\$ 69,198	\$ 149,702
Legal Defense Fund	199,886	316,144
Burgan Fund	-	5,888
Beatrice Konheim Fund	2,303	5,812
Moses and Dorothy Passer Legal Defense Fund	<u>24,071</u>	<u>46,092</u>
	<u>\$ 295,458</u>	<u>\$ 523,638</u>

The following amounts were released from restrictions during the years ended December 31, 2022 and 2021 as purpose restrictions were met.

	<u>2022</u>	<u>2021</u>
Academic Freedom Fund	\$ 89,267	\$ 61,036
Legal Defense Fund	38,362	35,135
Glick, Rappaport & Tristman Memorial Fund	-	11,970
Burgan Fund	5,701	4,520
Beatrice Konheim Fund	2,000	-
Contingent Faculty Fund	<u>-</u>	<u>2,378</u>
	<u>\$ 135,330</u>	<u>\$ 115,039</u>

Included in the amounts released from restrictions above are grants made to AAUP programs during the fiscal years ended December 31, 2022 and 2021 of \$114,230 and \$96,077, respectively.

## NOTE 8. 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.

## NOTE 8. RETIREMENT BENEFITS (CONTINUED)

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 \$389,394 and \$355,500 for the years ended December 31, 2022 and 2021, 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 9. POSTRETIREMENT BENEFITS

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 AAUP.

The accrued postretirement benefit obligation is determined with the assistance of AAUP's consulting actuary. The accrued postretirement benefit obligation as of December 31, 2022 and 2021 is reported on the combined statements of financial position and is calculated as follows:

	<u>2022</u>	<u>2021</u>
Retirees	\$ 1,131,567	\$ 1,396,226
Actives fully eligible	359,163	338,312
Actives not yet fully eligible	<u>366,142</u>	<u>572,381</u>
	<u>\$ 1,856,872</u>	<u>\$ 2,306,919</u>

Detailed reconciliation of accumulated benefit obligation for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Accumulated benefit obligation at beginning of year	\$ 2,306,919	\$ 2,506,742
Service cost	145,756	109,888
Interest cost	65,850	61,365
Gross benefits paid	(116,961)	(120,238)
Actuarial (gain) loss	<u>(544,692)</u>	<u>(250,838)</u>
Accumulated benefit obligation at end of year	<u>\$ 1,856,872</u>	<u>\$ 2,306,919</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 \$1,856,872 and \$2,306,919 at December 31, 2022 and 2021, respectively. The effect of a 1% increase in



## NOTE 9. POSTRETIREMENT BENEFITS (CONTINUED)

the assumed health care cost trend rates would cause the postretirement benefit obligations at December 31, 2022 and 2021 to increase by \$254,219 and \$355,723, respectively. The projected premiums to be paid to the plan for the year ending December 31, 2023 are \$105,276.

Net periodic postretirement benefit expense for the years ended December 31, 2022 and 2021 includes the following components:

	<u>2022</u>	<u>2021</u>
Service cost	\$ 145,756	\$ 109,888
Interest cost	65,850	61,365
Amortization of accumulated gain	<u>(5,199)</u>	<u>-</u>
Total postretirement benefit expense	<u>\$ 206,407</u>	<u>\$ 171,253</u>
Total premiums paid by employer	<u>\$ 116,961</u>	<u>\$ 120,238</u>

The service cost component of net periodic benefit expense for the years ended December 31, 2022 and 2021 is \$145,756 and \$109,888, respectively, all of which is reflected on the combined statement of functional expenses as salaries and fringe benefits for the years then ended.

The interest cost component of net periodic benefit expense for the years ended December 31, 2022 and 2021 is \$65,850 and \$61,365, respectively, all of which is reflected on the combined statement of activities as an other change in net assets for the years then ended.

Amounts that have not been recognized in the combined statements of activities as components of net periodic postretirement benefit cost as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Cumulative unrecognized net gain	<u>\$ (846,247)</u>	<u>\$ (306,754)</u>

The total of amounts not yet recognized as components of net periodic benefit costs as of December 31, 2022 and 2021 is a gain of \$539,493 and \$250,383, respectively, all of which is reflected on the combined statements of activities as an other change in net assets for the years then ended.

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

	<u>2022</u>	<u>2021</u>
Beginning of the year	2.75%	2.40%
End of the year	5.00%	2.75%

## NOTE 9. POSTRETIREMENT BENEFITS (CONTINUED)

The assumed trend for 2022 and thereafter is a grading in the rate over 20 years until the ultimate rate of 3.94% is reached. The assumed health care cost trend rate used to measure the expected cost of benefits covered by the plan was 9.00% for years ended December 31, 2022 and 2021.

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:

2023	\$	105,276
2024		110,000
2025		110,000
2026		109,000
2027		112,000
2028-2032		564,000

## NOTE 10. 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 AAUP will collect substantially all of the consideration to which AAUP is 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 AAUP receives advance payments from its members and customers before revenue is recognized. Balances in these accounts as of the beginning and end of the years ended December 31, 2022 and 2021 are as indicated below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable			
Membership dues	\$ 1,338,073	\$ 1,285,287	\$ 1,231,310
Other	<u>126,457</u>	<u>19,206</u>	<u>6,157</u>
	<u>\$ 1,464,530</u>	<u>\$ 1,304,493</u>	<u>\$ 1,237,467</u>
Deferred revenue			
Membership dues	<u>\$ 590,741</u>	<u>\$ 610,768</u>	<u>\$ 693,035</u>

## NOTE 11. INVESTMENTS

The investments consist of the following investment classes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 43,588	\$ 151,963
Equities	2,549,532	2,308,790
Exchange traded funds/mutual funds	1,446,926	1,847,914
U.S. government bonds	487,505	486,640
Corporate bonds	5,513,838	6,890,839
Certificates of deposit	<u>874,000</u>	<u>708,067</u>
	<u>\$ 10,915,389</u>	<u>\$ 12,394,213</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 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.

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.



## NOTE 11. INVESTMENTS (CONTINUED)

As of December 31, 2022, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2022			
	Total Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 43,588	\$ -	\$ 43,588	\$ -
Equities	2,549,532	2,549,532	-	-
Exchange traded funds/mutual funds	1,446,926	1,446,926	-	-
U.S. government bonds	487,505	-	487,505	-
Corporate bonds	5,513,838	-	5,513,838	-
Certificates of deposit	874,000	-	874,000	-
	<u>\$ 10,915,389</u>	<u>\$ 3,996,458</u>	<u>\$ 6,918,931</u>	<u>\$ -</u>

As of December 31, 2021 December 31, 2022, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2021			
	Total Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 151,963	\$ -	\$ 151,963	\$ -
Equities	2,308,790	2,308,790	-	-
Exchange traded funds/mutual funds	1,847,914	1,847,914	-	-
U.S. government bonds	486,640	-	486,640	-
Corporate bonds	6,890,839	-	6,890,839	-
Certificates of deposit	708,067	-	708,067	-
	<u>\$ 12,394,213</u>	<u>\$ 4,156,704</u>	<u>\$ 8,237,509</u>	<u>\$ -</u>

For the years ended December 31, 2022 and 2021, there have been no transfers in or out of Levels 1, 2 or 3.

The following donor restricted funds held positions in the investment pool at December 31, 2022 and 2021:

	2022	2021
<u>Temporary donor restricted funds</u>		
Academic Freedom Fund	\$ 69,198	149,702
Legal Defense Fund	199,886	316,144
Burgan Fund	-	5,888
Beatrice Konheim Fund	2,303	5,812
Moses and Dorothy Passer Legal Defense Fund	24,071	46,092
	<u>295,458</u>	<u>523,638</u>
<u>Perpetual donor restricted funds</u>		
Moses and Dorothy Passer Legal Defense Fund	<u>40,000</u>	<u>40,000</u>
Total investment pool	<u>\$ 335,458</u>	<u>\$ 563,638</u>



## NOTE 11. INVESTMENTS (CONTINUED)

Investment income consists of the following components for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 333,631	\$ 226,319
Net investment gains (losses)	(1,699,815)	(182,099)
Investment expenses	<u>(4,479)</u>	<u>(3,297)</u>
Total investment income	<u>\$ (1,370,663)</u>	<u>\$ 40,923</u>

## NOTE 12. RISKS AND UNCERTAINTIES

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 combined statements of financial position.

Financial instruments that subject AAUP to concentrations of credit risk include cash and investments. While management of 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. AAUP has not experienced, nor do they expect to experience, any losses in such accounts.

## NOTE 13. COMMITMENTS

AAUP had a lease agreement for office space, including electricity, which was extended until November 30, 2022. Annual base rent for the year ended December 31, 2021 was approximately \$256,504. Total deferred rent as of December 31, 2021 was \$47,334.

AAUP entered into a new lease agreement for office space in 2022. The lease commenced on October 1, 2022 and terminates September 30, 2032. The lease includes ten months of rent abatement, as well as two months of reduced rent thereafter. In addition to the rent abatement and reduced rent, the landlord provided for a tenant improvement allowance of \$517,168. In addition, AAUP has leases for office equipment through 2025.

Operating lease expense totaled \$252,077 and \$212,996 for the years ended December 31, 2022 and 2021, respectively. AAUP had no variable or short-term lease expense in 2022 or 2021 and does not have any finance leases.

## NOTE 13. COMMITMENTS (CONTINUED)

Supplemental qualitative information related to operating leases is as follows:

	Year ended December 31, 2022
Right-of-use assets obtained in exchange for lease obligations	\$ 1,836,506
Weighted-average remaining lease term (in years)	9.75
Weighted-average discount rate	3.67%

The maturity of the lease liability under AAUP's operating leases as of December 31, 2022 is as follows:

	Year ended December 31,	
	2023	\$ 110,765
	2024	321,224
	2025	316,032
	2026	299,020
	2027	303,276
	Thereafter	<u>1,505,123</u>
Undiscounted future cash flows		2,855,440
Less discount to present value (with a rate of 3.67%)		<u>(489,458)</u>
Total lease liability		<u>\$ 2,365,982</u>

## NOTE 14. 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 the years ended December 31, 2022 and 2021 was \$8,674 and \$9,593, respectively.

## NOTE 14. TAX STATUS (CONTINUED)

The Foundation is generally exempt from federal income tax under Internal Revenue Code Section 501(c)(3), except for income taxes on any unrelated business income. The Foundation had no unrelated business income in 2022 and is not a private foundation. In August 2021, the Foundation and AAUP leadership bodies determined that due to their continuous and coordinated operational relationship the Foundation should seek reclassification of its foundation status under Code Section 509(a)(3). Therefore, the Foundation has changed its foundation classification from that of a publicly supported charity to that of a Type II supporting organization under Code Section 509(a)(3). The Foundation demonstrates that it is a supporting organization within the meaning of Code Section 509(a)(3) because the Foundation i) is organized to support the AAUP, an eligible supported organization; ii) is conducting activities that benefit the AAUP; iii) shall not be supported by donors (or their family members) who make significant contributions; and iv) is a Type II supporting organization of the AAUP because the Foundation is supervised and controlled by the same persons who control the AAUP. The members of the AAUP leadership body automatically serve as members of the Foundation board of directors once they are elected to the AAUP leadership body.

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, 2022 and 2021, and determined that there were no matters that would require recognition or disclosure in the combined financial statements. As of December 31, 2022, the statute of limitations for tax years 2019 through 2021 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 15. RESTATEMENT ADJUSTMENT

In 2020, AAUP concluded they met the qualifications to utilize the Employee Retention Credit (ERC) provided by the federal government in the Cares Act. However, the AAUP didn't take the Employee Retention Credit, but instead utilized the deferral of the employee taxes, also part of the Cares Act. However, the transaction was accounted for as the ERC should have been. In 2021, AAUP filed amended IRS Form 941s to utilize the ERC, but did not account for the transaction in the General Ledger. As of December 31, 2021, the following prior period adjustments were made to correct the errors in 2021.

	Prior December 31, 2021 Balance	Correction of an error	Restated Balance December 31, 2021
Accounts receivable	\$ 1,321,530	\$ 492,683	\$ 1,814,213
Accounts payable and accrued expenses	482,359	67,297	549,656
Deferred membership revenue	605,617	5,151	610,768
Salaries and fringe benefits	5,399,401	(373,506)	5,025,895
Net assets	11,489,054	420,235	11,909,289



## NOTE 15. RESTATEMENT ADJUSTMENT (CONTINUED)

The errors from 2020 were corrected directly to net assets as of December 31, 2020, as detailed below.

Net Assets as of December 31, 2020, as previously stated	\$ 10,321,355
Correction of accounts receivable	175,000
Correction of accounts payable and accrued expenses	<u>(128,271)</u>
Net Assets as of December 31, 2020, after restatement	<u>\$ 10,368,084</u>

## NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 15, 2023, which is the date the combined 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 combined financial statements.



## SUPPLEMENTAL INFORMATION



# AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS AND AAUP FOUNDATION

## COMBINING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

Assets	2022				(Restated) 2021			
	AAUP	Foundation	Eliminations	Total	AAUP	Foundation	Eliminations	Total
<b>Assets</b>								
Cash and cash equivalents	\$ 1,139,844	\$ 189,899	\$ -	\$ 1,329,743	\$ 856,830	\$ 161,818	\$ -	\$ 1,018,648
Investments	10,424,045	491,344	-	10,915,389	11,657,294	736,919	-	12,394,213
Accounts receivable, net	2,838,914	-	-	2,838,914	1,814,213	-	-	1,814,213
Prepaid expenses and deposits	7,679	-	-	7,679	7,007	-	-	7,007
Accrued interest	31,822	-	-	31,822	36,799	-	-	36,799
Due from AAUP Foundation	282,588	-	(282,588)	-	236,728	-	(236,728)	-
Operating lease right-of-use-asset	1,791,970	-	-	1,791,970	-	-	-	-
Property, equipment, and improvements - net	603,806	-	-	603,806	224,949	-	-	224,949
Total assets	<u>\$ 17,120,668</u>	<u>\$ 681,243</u>	<u>\$ (282,588)</u>	<u>\$ 17,519,323</u>	<u>\$ 14,833,820</u>	<u>\$ 898,737</u>	<u>\$ (236,728)</u>	<u>\$ 15,495,829</u>
<b>Liabilities and Net Assets</b>								
<b>Liabilities</b>								
Accounts payable and accrued expenses	\$ 1,492,161	\$ -	\$ -	\$ 1,492,161	\$ 549,656	\$ -	\$ -	\$ 549,656
Deferred membership revenue	590,741	-	-	590,741	610,768	-	-	610,768
Deferred rent	-	-	-	-	47,334	-	-	47,334
Lease liability	2,365,982	-	-	2,365,982	-	-	-	-
Due to American Association of University Professors	-	282,588	(282,588)	-	-	236,728	(236,728)	-
Postretirement benefit obligation	1,856,872	-	-	1,856,872	2,306,919	-	-	2,306,919
Refundable advance	-	36,676	-	36,676	-	71,863	-	71,863
Total liabilities	<u>6,305,756</u>	<u>319,264</u>	<u>(282,588)</u>	<u>6,342,432</u>	<u>3,514,677</u>	<u>308,591</u>	<u>(236,728)</u>	<u>3,586,540</u>
<b>Net assets</b>								
Without donor restrictions	10,814,922	26,511	-	10,841,433	11,319,143	26,508	-	11,345,651
With donor restrictions								
Temporary restrictions	-	295,458	-	295,458	-	523,638	-	523,638
Perpetual restrictions	-	40,000	-	40,000	-	40,000	-	40,000
Total with donor restrictions	<u>-</u>	<u>335,458</u>	<u>-</u>	<u>335,458</u>	<u>-</u>	<u>563,638</u>	<u>-</u>	<u>563,638</u>
Total net assets	<u>10,814,922</u>	<u>361,969</u>	<u>-</u>	<u>11,176,891</u>	<u>11,319,143</u>	<u>590,146</u>	<u>-</u>	<u>11,909,289</u>
Total liabilities and net assets	<u>\$ 17,120,678</u>	<u>\$ 681,233</u>	<u>\$ (282,588)</u>	<u>\$ 17,519,323</u>	<u>\$ 14,833,820</u>	<u>\$ 898,737</u>	<u>\$ (236,728)</u>	<u>\$ 15,495,829</u>

# AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS AND AAUP FOUNDATION

## COMBINING STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				(Restated) 2021			
	AAUP	Foundation	Elimination	Total	AAUP	Foundation	Elimination	Total
<b>Revenue</b>								
Membership dues	\$ 8,176,554	\$ -	\$ -	\$ 8,176,554	\$ 8,437,280	\$ -	\$ -	\$ 8,437,280
AFT Support	1,522,907	-	-	1,522,907	-	-	-	-
Contributions	-	82,736	-	82,736	-	92,751	-	92,751
Contributed nonfinancial assets	-	51,801	(51,801)	-	-	102,252	(102,252)	-
Investment income (loss), net	(1,238,226)	(132,437)	-	(1,370,663)	(33,966)	74,889	-	40,923
Publications	128,885	-	-	128,885	122,452	-	-	122,452
Meeting registration and fees	65,785	-	-	65,785	-	-	-	-
Grants	114,230	-	(114,230)	-	96,077	-	(96,077)	-
Miscellaneous income	43,466	-	-	43,466	49,064	-	-	49,064
Total revenue	<u>8,813,601</u>	<u>2,100</u>	<u>(166,031)</u>	<u>8,649,670</u>	<u>8,670,907</u>	<u>269,892</u>	<u>(198,329)</u>	<u>8,742,470</u>
<b>Expenses</b>								
Program services								
Policy and legal advocacy	786,113	-	-	786,113	497,766	-	-	497,766
Member services	3,541,558	-	-	3,541,558	2,450,977	-	-	2,450,977
Communications	955,425	653	-	956,078	1,005,075	1,126	-	1,006,201
Research	460,139	-	-	460,139	405,012	-	-	405,012
Education	14,597	-	-	14,597	40,748	-	-	40,748
Conferences	296,604	-	-	296,604	79,546	-	-	79,546
Academic freedom	-	54,080	(34,990)	19,090	-	45,622	(45,622)	-
Glick, Rappaport & Tristman Memorial	-	-	-	-	-	12,712	(12,712)	-
Other grants	-	93,359	(79,240)	14,119	-	56,705	(37,743)	18,962
Total program services	<u>6,054,436</u>	<u>148,092</u>	<u>(114,230)</u>	<u>6,088,298</u>	<u>4,479,124</u>	<u>116,165</u>	<u>(96,077)</u>	<u>4,499,212</u>
Supporting services								
Leadership	711,590	-	-	711,590	371,441	-	-	371,441
General and administrative	3,025,449	74,676	(51,801)	3,048,324	2,474,960	137,146	(102,252)	2,509,854
Fundraising	-	7,492	-	7,492	-	10,231	-	10,231
Total supporting services	<u>3,737,039</u>	<u>82,175</u>	<u>(51,801)</u>	<u>3,767,413</u>	<u>2,846,401</u>	<u>147,377</u>	<u>(102,252)</u>	<u>2,891,526</u>
Total expenses	<u>9,791,475</u>	<u>230,267</u>	<u>(166,031)</u>	<u>9,855,711</u>	<u>7,325,525</u>	<u>263,542</u>	<u>(198,329)</u>	<u>7,390,738</u>
<b>Excess (deficit) of revenue over expenses</b>	(977,874)	(228,167)	-	(1,206,041)	1,345,382	6,350	-	1,351,732
<b>Other changes in net assets</b>								
Other components of net periodic postretirement benefit cost	(65,850)	-	-	(65,850)	(61,365)	-	-	(61,365)
Postretirement-related changes other than net periodic postretirement benefit cost	539,493	-	-	539,493	250,838	-	-	250,838
<b>Change in net assets</b>	(504,231)	(228,167)	-	(732,398)	1,534,855	6,350	-	1,541,205
<b>Net assets</b>								
Beginning of year	11,319,143	590,146	-	11,909,289	9,784,288	583,796	-	10,368,084
End of year	<u>\$ 10,814,912</u>	<u>\$ 361,979</u>	<u>\$ -</u>	<u>\$ 11,176,891</u>	<u>\$ 11,319,143</u>	<u>\$ 590,146</u>	<u>\$ -</u>	<u>\$ 11,909,289</u>