

**AAUP FOUNDATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**



# AAUP FOUNDATION

## FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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## **REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors of  
AAUP Foundation

We have audited the accompanying financial statements of AAUP Foundation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to AAUP Foundation'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 AAUP Foundation'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 AAUP Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CalibreCPAGroup, PLLC*

Bethesda, MD  
May 20, 2021

**AAUP FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2020 AND 2019

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 71,285	\$ 72,104
Investments	763,362	788,588
Accounts receivable	1,570	-
Total assets	\$ 836,217	\$ 860,692
<b>LIABILITIES</b>		
Due to AAUP	\$ 165,887	\$ 183,883
Refundable advance	86,534	105,546
Total liabilities	252,421	289,429
<b>NET ASSETS</b>		
With donor restrictions		
Temporary	543,796	531,263
Perpetual	40,000	40,000
Total net assets with donor restrictions	583,796	571,263
Total liabilities and net assets	\$ 836,217	\$ 860,692

See accompanying notes to financial statements.

# AAUP FOUNDATION

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020					2019				
	Without Donor Restrictions	With Donor Restrictions			Total	Without Donor Restrictions	With Donor Restrictions			Total
		Temporary	Perpetual	Total			Temporary	Perpetual	Total	
<b>REVENUE</b>										
Contributions	\$ 42,265	\$ 28,792	\$ -	\$ 28,792	\$ 71,057	\$ 221,440	\$ 53,837	\$ -	\$ 53,837	\$ 275,277
In-kind contributions	80,505	-	-	-	80,505	-	-	-	-	-
Net investment income	-	156,404	-	156,404	156,404	-	68,375	-	68,375	68,375
Subtotal	122,770	185,196	-	185,196	307,966	221,440	122,212	-	122,212	343,652
Net assets released from restrictions	172,663	(172,663)	-	(172,663)	-	259,719	(259,719)	-	(259,719)	-
Total revenue	295,433	12,533	-	12,533	307,966	481,159	(137,507)	-	(137,507)	343,652
<b>EXPENSES</b>										
Program services										
Communication	978	-	-	-	978	15,554	-	-	-	15,554
Academic Freedom	148,778	-	-	-	148,778	252,389	-	-	-	252,389
Glick, Rappaport & Tristman Memorial	10,086	-	-	-	10,086	-	-	-	-	-
Other grants	13,818	-	-	-	13,818	22,950	-	-	-	22,950
Total program services	173,660	-	-	-	173,660	290,893	-	-	-	290,893
Supporting services										
Administration	115,288	-	-	-	115,288	171,785	-	-	-	171,785
Governance	-	-	-	-	-	8,569	-	-	-	8,569
Fundraising	6,485	-	-	-	6,485	9,912	-	-	-	9,912
Total supporting services	121,773	-	-	-	121,773	190,266	-	-	-	190,266
Total expenses	295,433	-	-	-	295,433	481,159	-	-	-	481,159
CHANGE IN NET ASSETS	-	12,533	-	12,533	12,533	-	(137,507)	-	(137,507)	(137,507)
<b>NET ASSETS</b>										
Beginning of year	-	531,263	40,000	571,263	571,263	-	668,770	40,000	708,770	708,770
End of year	\$ -	\$ 543,796	\$ 40,000	\$ 583,796	\$ 583,796	\$ -	\$ 531,263	\$ 40,000	\$ 571,263	\$ 571,263

See accompanying notes to financial statements.

**AAUP FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services			Total
	Communication	Academic Freedom	Glick, Rappaport & Tristman Memorial	Other Grants	Administration	Governance	Fundraising	
Contracted services	\$ -	\$ -	\$ -	\$ -	\$ 74,748	\$ -	\$ -	\$ 74,748
Facilities	-	-	-	-	20,637	-	-	20,637
Grants	-	148,778	10,086	13,799	-	-	-	172,663
Business expenses	-	-	-	-	10,298	-	6,485	16,783
Meeting and travel expenses	20	-	-	19	-	-	-	39
Office expenses	958	-	-	-	9,605	-	-	10,563
	<u>\$ 978</u>	<u>\$ 148,778</u>	<u>\$ 10,086</u>	<u>\$ 13,818</u>	<u>\$ 115,288</u>	<u>\$ -</u>	<u>\$ 6,485</u>	<u>\$ 295,433</u>

See accompanying notes to financial statements.

## AAUP FOUNDATION

### STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services			Supporting Services			
	Communication	Academic Freedom	Other Grants	Administration	Governance	Fundraising	Total
Contracted services	\$ 3,105	\$ -	\$ 15,620	\$ 125,357	\$ 8,569	\$ 1,307	\$ 153,958
Facilities	-	-	-	21,263	-	-	21,263
Grants	-	252,389	7,330	-	-	-	259,719
Business expenses	-	-	-	14,150	-	8,488	22,638
Meeting and travel expenses	-	-	-	948	-	85	1,033
Office expenses	12,449	-	-	6,294	-	32	18,775
Other expenses	-	-	-	3,773	-	-	3,773
	\$ 15,554	\$ 252,389	\$ 22,950	\$ 171,785	\$ 8,569	\$ 9,912	\$ 481,159

See accompanying notes to financial statements.



## AAUP FOUNDATION

### STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	12,533	(137,507)
Adjustments to reconcile change in net assets to cash used for operating activities		
Net investment gains	(150,040)	(56,431)
Change in assets and liabilities		
Accounts receivable	(1,570)	-
Due to AAUP	(17,996)	(23,444)
Due to AAUP-CBC	-	(7,048)
Refundable advance	(19,012)	105,546
Net cash used for operating activities	(176,085)	(118,884)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment purchases	(401,046)	(524,664)
Proceeds from sale or redemption of investments	576,312	342,789
Net cash provided by (used for) investing activities	175,266	(181,875)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(819)	(300,759)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	72,104	372,863
End of year	\$ 71,285	\$ 72,104

See accompanying notes to financial statements.

# AAUP FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 1. ORGANIZATION

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

The predecessor American Association of University Professors (AAUP) 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; and
- AAUP Foundation, a 501(c)(3) public charity.

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

Despite the previous separation into three entities, it was the intent of the entities to adhere to a shared commitment to academic freedom, shared governance in academic institutions, and related goals including collective bargaining and the building of advocacy chapters and state conferences. The three entities operated through independent boards and managed their operations through a coordinated system of dues collections and fundraising (through December 31, 2019), and through the employment of staff members to aid in the implementation of programs and activities that reflect the entities’ shared commitment. The American Association of University Professors (a 501(c)(6) professional association) served as the paymaster for the

## NOTE 1. ORGANIZATION (CONTINUED)

three entities. Expenses were allocated to the AAUP Foundation based on a percentage of non-direct expenses. Other expenses were allocated in proportion to the benefit derived by each entity and in accordance with a Memorandum of Understanding (MOU) and Cost-sharing Agreement. The MOU and Cost-Sharing Agreement terminated on December 31, 2019.

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

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Method of Accounting** - The accompanying financial statements are prepared using the accrual basis of accounting. Under this basis, 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, the AAUP Foundation 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. The AAUP Foundation also distinguishes between donor restrictions that are temporary and those that are perpetual in nature.

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

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

**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 statements of activities as net assets released from restrictions.

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

**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. Equities and exchange-traded funds are valued based on quoted market prices. Corporate obligations are valued using the closing price reported of like assets, corroborated market data, indices and/or yield curves. Money market funds and certificates of deposit are valued at cost, which approximates fair value. There have been no changes in methodologies used at December 31, 2020 and 2019. Realized and unrealized gains and losses are included in net investment income on the statements of activities. Purchases and sales of investments are recorded on a trade date basis and dividend income is recognized as of the ex-dividend date. All other income from investments is recognized as earned on the accrual basis. Investment income is reported in the statements of activities net of all external and direct internal investment expenses.

**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 contributions revenue only when the conditions are met.

**In-kind Contributions** -In-kind contributions from the AAUP are reported as revenue and expenses at cost when received and have been presented in the statements of activities as contributions and expensed in the appropriate functional category. Included in in-kind contributions were donations of salaries and benefits and allocation of overhead expenses from the AAUP.

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

**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.

**Reclassification** - Certain items in the prior year's financial statement have been reclassified to conform to the presentation of the current year's financial statements.

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

As part of the AAUP Foundation's liquidity management, it has a practice to structure its financial assets to be available as general expenditures, liabilities, releases of donor restricted funds and other obligations come due. As described in Note 7, the AAUP Foundation and the AAUP executed an agreement whereby the AAUP agreed to fund a portion of the Foundation's expenses not provided for by donor restricted contributions.

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

	<u>2020</u>	<u>2019</u>
Total assets at end of year	\$ 836,217	\$ 860,692
Less amounts not available to meet general expenditures coming due within one year		
Net assets with donor restrictions	(583,796)	(571,263)
Refundable advance	<u>(86,534)</u>	<u>(105,546)</u>
Financial assets available to meet general expenditures coming due in the next year	<u>\$ 165,887</u>	<u>\$ 183,883</u>

### NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS

#### Endowment Funds

The AAUP 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, AAUP 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.

**NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

In accordance with UPMIFA, AAUP 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 AAUP 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 AAUP Foundation resources.
- g) The AAUP Foundation investment policies.

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

The AAUP Foundation contemplates annual distribution of a significant portion of investment returns. The AAUP 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 AAUP Foundation held the following perpetual donor restricted fund as of December 31, 2020 and 2019:

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

In the years ended December 31, 2020 and 2019, the AAUP Foundation had the following endowment related activities:

	With Donor Restrictions		
	Temporary	Perpetual	Total
Endowment Net Assets, January 1, 2019	\$ 11,616	\$ 40,000	\$ 51,616
Contributions	-	-	-
Investment income	6,027	-	6,027
Endowment Net Assets, December 31, 2019	17,643	40,000	57,643
Contributions	-	-	-
Investment income	18,295	-	18,295
Endowment Net Assets, December 31, 2020	<u>\$ 35,938</u>	<u>\$ 40,000</u>	<u>\$ 75,938</u>

**NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Temporary Donor Restricted Funds

The remaining portion of donor-restricted funds that is not classified as net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those funds are appropriated for expenditure by AAUP Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the AAUP 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;
- 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 AAUP Foundation;
- g) The needs of the AAUP 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 AAUP Foundation.

The AAUP Foundation holds net assets with temporary donor restrictions as of December 31, 2020 and 2019 as detailed below.

	<u>2020</u>	<u>2019</u>
Academic Freedom Fund	\$ 170,506	\$ 239,303
Legal Defense Fund	309,851	234,911
Glick, Rappaport & Tristman Memorial Fund	11,111	16,894
Burgan Fund	9,238	8,610
Beatrice Konheim Fund	5,128	3,893
Contingent Faculty Fund	2,024	10,009
Moses and Dorothy Passer Legal Defense Fund	<u>35,938</u>	<u>17,643</u>
	<u>\$ 543,796</u>	<u>\$ 531,263</u>

**NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

The following amounts were released from restrictions during the years ended December 31, 2020 and 2019 as purpose restrictions were met.

	<u>2020</u>	<u>2019</u>
Academic Freedom Fund	\$ 148,778	\$ 252,389
Glick, Rappaport & Tristman Memorial Fund	10,086	-
Burgan Fund	2,799	3,515
Beatrice Konheim Fund	-	1,000
Contingent Faculty Fund	<u>11,000</u>	<u>2,815</u>
	<u>\$ 172,663</u>	<u>\$ 259,719</u>

Included in the amounts released from restrictions above are grants made to AAUP programs during the fiscal years ended December 31, 2020 and 2019 of \$167,663 and \$247,883, respectively.

**NOTE 5. INVESTMENTS**

The investment pool consists of the following investment classes as of December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 185,120	\$ 68,344
Certificates of deposit	-	174,952
Equities	464,075	234,765
Exchange traded funds - fixed income	114,167	108,708
Corporate obligations	<u>-</u>	<u>201,819</u>
	<u>\$ 763,362</u>	<u>\$ 788,588</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 Foundation has the ability to access.



**NOTE 5. INVESTMENTS (CONTINUED)**

Level 2 Inputs to the valuation methodology include other significant observable inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of December 31, 2020 and 2019, assets measured at fair value on a recurring basis summarized by level within the fair value hierarchy as follows:

	2020			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 185,120	\$ -	\$ 185,120	\$ -
Equities	464,075	464,075	-	-
Exchange traded funds - fixed income	114,167	114,167	-	-
	<u>\$ 763,362</u>	<u>\$ 578,242</u>	<u>\$ 185,120</u>	<u>\$ -</u>
	2019			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 68,344	\$ -	\$ 68,344	\$ -
Certificates of deposit	174,952	-	174,952	-
Equities	234,765	234,765	-	-
Exchange traded funds - fixed income	108,708	108,708	-	-
Corporate obligations	201,819	-	201,819	-
	<u>\$ 788,588</u>	<u>\$ 343,473</u>	<u>\$ 445,115</u>	<u>\$ -</u>

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

AAUP Foundation invests all restricted contributions in a pool of investments. Participants in the pool of invested assets share in the income and losses based on their percentage holdings. Participation percentages are adjusted at the beginning of each month based on the market value of each participant's investment balance.

**NOTE 5. INVESTMENTS (CONTINUED)**

The following donor restricted funds held positions in the investment pool at December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<u>Temporary donor restricted funds</u>		
Academic Freedom Fund	\$ 170,506	\$ 239,303
Legal Defense Fund	309,851	234,911
Glick, Rappaport & Tristman Memorial Fund	11,111	16,894
Burgan Fund	9,238	8,610
Beatrice Konheim Fund	5,128	3,893
Contingent Faculty Fund	2,024	10,009
Moses and Dorothy Passer Legal Defense Fund	<u>35,938</u>	<u>17,643</u>
	543,796	531,263
<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>\$ 583,796</u>	<u>\$ 571,263</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 8,840	\$ 14,835
Net investment gains	150,040	56,431
Investment expenses	<u>(2,476)</u>	<u>(2,891)</u>
Total investment income	<u>\$ 156,404</u>	<u>\$ 68,375</u>

**NOTE 6. RISKS AND UNCERTAINTIES**

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

**NOTE 6. RISKS AND UNCERTAINTIES (CONTINUED)**

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

**NOTE 7. DUE TO AAUP**

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

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

In November 2018, the AAUP Foundation and the AAUP executed a support agreement whereby the AAUP agreed to fund a portion of the Foundation's expenses for the fiscal year 2019. The total amount funded by the AAUP to the AAUP Foundation for 2020 and 2019 was \$11,522 and \$155,927, respectively, which amounts are reflected as contribution revenues without donor restrictions. Also in November 2018, the AAUP and the AAUP-CBC executed an agreement whereby the AAUP-CBC would provide a limited contribution amount to the AAUP to assist the AAUP with its support of the AAUP Foundation for the fiscal year 2019. The total amount funded by the AAUP-CBC to the AAUP for 2019 was \$36,575 and is reflected as without donor restricted contribution revenues.

**NOTE 7. DUE TO AAUP (CONTINUED)**

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

**NOTE 8. TAX STATUS**

The AAUP Foundation is generally exempt from federal income tax under Internal Revenue Service (IRS) Code Section 501(c)(3), except for income taxes on any unrelated business income. The AAUP Foundation had no unrelated business income in 2020 and is not a private foundation.

The AAUP Foundation 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. The AAUP Foundation performed an evaluation of uncertain tax positions for the years ended December 31, 2020 and 2019, and determined that there were no matters that would require recognition in the financial statements. As of December 31, 2020, the statute of limitations for tax for years 2017 through 2019 remain open with the IRS and the local jurisdiction in which AAUP Foundation files returns. It is AAUP Foundation policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

**NOTE 9. SIGNIFICANT UNCERTAINTIES**

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

**NOTE 10. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 20, 2021, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.