

AAUP Foundation

Financial Statements

For the Years Ended December 31, 2014 and 2013

**AAUP FOUNDATION
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FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
AAUP Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of AAUP Foundation, which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The AAUP Foundation's 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

REPORT OF INDEPENDENT AUDITORS

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, 2014 and 2013, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

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



A Professional Corporation

Bethesda, MD

June 22, 2015

AAUP Foundation
Statements of Financial Position
As of December 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Cash and Cash Equivalents	\$ 528,750	\$ -	\$ -	\$ 528,750	\$ 427,524	\$ -	\$ -	\$ 427,524
Investments	8,966	1,264,280	40,000	1,313,246	180,308	1,219,248	40,000	1,439,556
Accounts Receivable	7,196	-	-	7,196	2,194	-	-	2,194
Total Assets	<u>\$ 544,912</u>	<u>\$ 1,264,280</u>	<u>\$ 40,000</u>	<u>\$ 1,849,192</u>	<u>\$ 610,026</u>	<u>\$ 1,219,248</u>	<u>\$ 40,000</u>	<u>\$ 1,869,274</u>
Liabilities and Net Assets								
Liabilities								
Due To AAUP	\$ 178,069	\$ -	\$ -	\$ 178,069	\$ 246,824	\$ -	\$ -	\$ 246,824
Net Assets	<u>366,843</u>	<u>1,264,280</u>	<u>40,000</u>	<u>1,671,123</u>	<u>363,202</u>	<u>1,219,248</u>	<u>40,000</u>	<u>1,622,450</u>
Total Liabilities and Net Assets	<u>\$ 544,912</u>	<u>\$ 1,264,280</u>	<u>\$ 40,000</u>	<u>\$ 1,849,192</u>	<u>\$ 610,026</u>	<u>\$ 1,219,248</u>	<u>\$ 40,000</u>	<u>\$ 1,869,274</u>

See notes to financial statements

AAUP Foundation
Statements of Activities
For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Contributions	\$ 244,551	\$ 10,104	\$ -	\$ 254,655	\$ 7,916	\$ 7,786	\$ 40,000	\$ 55,702
Net Investment Income	20,528	53,520	-	74,048	76,984	136,819	-	213,803
Other Income	-	-	-	-	43,449	-	-	43,449
Subtotal	265,079	63,624	-	328,703	128,349	144,605	40,000	312,954
Net Assets Released from Restriction	18,592	(18,592)	-	-	14,825	(14,825)	-	-
Total Revenue	283,671	45,032	-	328,703	143,174	129,780	40,000	312,954
Expenses								
Program Services								
AAUP Centennial	9,989	-	-	9,989	12,327	-	-	12,327
Communication	26,132	-	-	26,132	27,180	-	-	27,180
Academic Freedom	14,000	-	-	14,000	8,500	-	-	8,500
Legal Defense	-	-	-	-	2,000	-	-	2,000
Other Grants	7,957	-	-	7,957	4,325	-	-	4,325
Total Program Services	58,078	-	-	58,078	54,332	-	-	54,332
Supporting Services								
Administration	176,854	-	-	176,854	154,327	-	-	154,327
Governance	26,110	-	-	26,110	30,530	-	-	30,530
Fundraising	18,988	-	-	18,988	45,669	-	-	45,669
Total Supporting Services	221,952	-	-	221,952	230,526	-	-	230,526
Total Expenses	280,030	-	-	280,030	284,858	-	-	284,858
Change in Net Assets	3,641	45,032	-	48,673	(141,684)	129,780	40,000	28,096
Net Assets - Beginning of Year	363,202	1,219,248	40,000	1,622,450	-	-	-	-
Transfer of Net Assets (see Note 3)	-	-	-	-	504,886	1,089,468	-	1,594,354
Net Assets - End of Year	\$ 366,843	\$ 1,264,280	\$ 40,000	\$ 1,671,123	\$ 363,202	\$ 1,219,248	\$ 40,000	\$ 1,622,450

See notes to financial statements.

AAUP Foundation
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Change in Net Assets	\$ 48,673	\$ 28,096
Adjustments to Reconcile Change in Net Assets to Cash Provided By (Used For) Operating Activities		
Net Investment Gains	(49,301)	(183,797)
Write off of liabilities	-	(23,567)
Change in Assets and Liabilities		
Accounts Receivable	(5,002)	(2,194)
Due To AAUP	(68,755)	246,824
Net Cash Provided By (Used For) Operating Activities	(74,385)	65,362
Cash Flows From Investing Activities		
Investment Purchases	(245,874)	(153,031)
Proceeds from Sale or Redemption of Investments	421,485	515,193
Net Cash Provided By Investing Activities	175,611	362,162
Net Change in Cash and Cash Equivalents	101,226	427,524
Cash and Cash Equivalents - Beginning of Year	427,524	-
Cash and Cash Equivalents - End of Year	\$ 528,750	\$ 427,524

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 1. ORGANIZATION AND TAX STATUS

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 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 American Association of University Professors (the "AAUP Predecessor 501(c)(3) Organization") restructured into three related not-for-profit organizations exempt under Internal Revenue code Sections 501(c)(3), 501(c)(5) and 501(c)(6).

The newly formed entities include the following:

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

The three newly formed entities will work in a coordinated manner to continue the mission of the AAUP Predecessor 501(c)(3) Organization. All assets and liabilities of the AAUP Predecessor 501(c)(3) Organization were transferred to the AAUP Foundation effective January 1, 2013 in accordance with a private letter ruling from the Internal Revenue Service (see Note 3).

Despite the separation into three entities, it is the intent of the entities to adhere to a shared commitment to academic freedom, shared governance in academic institutions, and related goals including collective bargaining and the building of advocacy chapters and state conferences. The three newly created entities operate through independent boards and manage their operations through a coordinated system of dues collections and fundraising, and through the employment of staff members to aid in the implementation of programs and activities that reflect the entities' shared commitment. The newly formed American Association of University Professors (a 501(c)(6) professional association) serves as the paymaster for the three entities. Expenses are allocated in proportion to the benefit derived by each entity and in accordance with a Memo of Understanding and Cost-sharing Agreement.

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Donor-Imposed Restrictions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted support which increases temporarily restricted net assets. When restrictions are fulfilled in the same time period as the contribution is received, the contribution is reported as temporarily restricted support and the AAUP Foundation recognizes net assets released from restrictions.

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

Investments – Investments are recorded at fair market value as follows. U.S. government securities, equities and mutual 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 are valued at cost, which approximates fair value. Realized and unrealized gains and losses are included in net investment income on the statement of activities. Purchases and sales of investments are recorded on a trade date basis. Dividend income is recognized as of the ex-dividend date. All other income from investments is recognized as earned on the accrual basis.

Use of Estimates – In preparing financial statements in conformity with 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.

Subsequent Events Review – Subsequent events have been evaluated through June 22, 2015, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material events or transactions that would require additional adjustment to, or disclosure in, the accompanying financial statements.

NOTE 3. TRANSFER OF ASSETS AND LIABILITIES

As explained in Note 1, the AAUP Predecessor 501(c)(3) Organization restructured into three newly formed entities effective January 1, 2013. Consistent with a private letter ruling received from the Internal Revenue Service, the assets and liabilities of the AAUP Predecessor 501(c)(3) Organization at December 31, 2012 were transferred to the newly formed AAUP Foundation (a 501(c)(3) public charity). In order to facilitate effective operation of the three newly formed related entities, the AAUP Foundation subsequently transferred some of its assets and liabilities to the newly formed American Association of University Professors, a 501 (c)(6) professional association.

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 3. TRANSFER OF ASSETS AND LIABILITIES (continued)

The AAUP Predecessor 501(c)(3) Organization had a lease agreement for office space effective December 1, 2008 and expiring January 1, 2016. Base annual rent initially approximated \$375,000, with increases based on increases in real estate taxes, building operating expenses, and the Consumer Price Index. Rent expense was being recognized equally in each year of the lease agreement. Rent abatements for the full amount of rent for the months of January, February and March 2009, 2010 and 2011 were being amortized over the life of the lease.

The amount of deferred rent at December, 31, 2012 was \$235,788. The newly formed American Association of University Professors (a 501(c)(6) organization) assumed the lease effective January 1, 2013. As a result, the deferred rent balance at December 31, 2012 was written off just prior to the transfer of assets and liabilities to the newly formed AAUP Foundation on January 1, 2013. The impact was to increase unrestricted net assets upon transfer by \$235,788.

A summary of the assets and liabilities transferred is provided below.

	Balances of Predecessor AAUP 501(c)(3) Organization at 12/31/12	Balances Transferred to AAUP Foundation 01/01/13	Balances Transferred from AAUP Foundation to AAUP 01/01/13
Assets			
Cash and Cash Equivalents	\$ 176,963	\$ 176,963	\$ 176,963
Investments	1,726,261	1,726,261	-
Receivables	1,903,066	1,903,066	1,903,066
Due From AAUP Foundation	-	-	63,284
Prepaid Expenses	8,026	8,026	8,026
Fixed Assets, Net	368,337	368,337	368,337
Total Assets	\$ 4,182,653	\$ 4,182,653	\$ 2,519,676
Liabilities and Net Assets			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 279,751	\$ 279,751	\$ 211,128
Deferred Revenue	616,546	616,546	616,546
Deferred Rent	235,788	-	-
Post-Retirement Benefit Obligation	1,692,002	1,692,002	1,692,002
Total Liabilities	2,824,087	2,588,299	2,519,676
Net Assets			
Unrestricted	269,098	504,886	-
Temporarily Restricted	1,089,468	1,089,468	-
Total Net Assets	1,358,566	1,594,354	-
Total Liabilities and Net Assets	\$ 4,182,653	\$ 4,182,653	\$ 2,519,676

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 4. RESTRICTIONS ON NET ASSETS

Endowment Funds

The AAUP Foundation has adopted *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 AAUP Foundation classifies as permanently restricted net assets:

- 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.

The remaining portion of donor-restricted funds that is not classified as permanently restricted is classified as temporarily restricted until those funds are appropriated for expenditure by the 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 accumulated donor-restricted funds;

- a) Duration and preservation of the fund
- b) Mission of the 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

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 4. RESTRICTIONS ON NET ASSETS (continued)

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 spending policies. 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 endowment fund 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 endowment fund principal to be preserved.

The AAUP Foundation held the following permanently restricted fund as of December 31, 2014 and 2013:

Moses and Dorothy Passer Legal Defense Fund	\$	40,000
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In the years ended December 31, 2014 and 2013, the AAUP Foundation had the following endowment related activities:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2013	\$ -	\$ -	\$ -
Contributions	-	40,000	40,000
Investment Income	5,085	-	5,085
Endowment Net Assets, December 31, 2013	5,085	40,000	45,085
Contributions	-	-	-
Investment Income	1,929	-	1,929
Endowment Net Assets, December 31, 2014	\$ 7,014	\$ 40,000	\$ 47,014

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 4. RESTRICTIONS ON NET ASSETS (continued)

Temporary Restrictions

The AAUP Foundation holds donor-restricted funds as of December 31, 2014 and 2013 as detailed below.

	<u>2014</u>	<u>2013</u>
Academic Freedom Fund	\$ 870,726	\$ 848,514
Legal Defense Fund	229,869	214,673
Henry T. Yost Fund	57,525	55,164
Glick, Rappaport & Tristman Memorial Fund	46,862	44,939
Burgan Fund	23,865	22,886
Beatrice G. Konheim Fund	11,406	11,938
Contingent Faculty Fund	10,870	10,424
Moses and Dorothy Passer Legal Defense Fund	7,014	5,085
Industry and the Academy Fund	5,289	5,072
Hopper Travel Fund	854	553
	<u>\$ 1,264,280</u>	<u>\$ 1,219,248</u>

The following amounts were released from restriction during the years ended December 31, 2014 and 2013 as purpose restrictions were met.

Academic Freedom Fund	\$ 16,192	\$ 8,500
Legal Defense Fund	-	2,000
Beatrice G. Konheim Fund	1,000	2,000
Hopper Travel Fund	1,400	2,325
	<u>\$ 18,592</u>	<u>\$ 14,825</u>

NOTE 5. WRITE OFF OF LIABILITIES

During the year ended December 31, 2013, the AAUP Foundation determined that \$23,657 of residual liabilities transferred from the AAUP Predecessor 501(c)(3) Organization were no longer valid. This amount was written off during the year ended December 31, 2013 and is included in other income on the statement of activities.

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 6. INVESTMENTS

The investment pool consists of the following investment classes as of December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Cash Equivalents	\$ 491,244	\$ 415,980
Equities	601,340	550,244
Corporate Obligations	<u>711,906</u>	<u>889,312</u>
Total Investment Pool	<u>\$ 1,804,490</u>	<u>\$ 1,855,536</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.

GAAP guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs that reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy establishes three levels based on the reliability of inputs.

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the AAUP Foundation has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 – Valuations based on quoted prices in less active, dealer or broker markets. Fair values are primarily obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 – Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and not based on market, exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 6. INVESTMENTS (continued)

As of December 31, 2014 and 2013, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2014			
	Level 1	Level 2	Level 3	Total Fair Value
Cash Equivalents	\$ -	\$ 491,244	\$ -	\$ 491,244
Equities	601,341	-	-	601,341
Corporate Obligations	-	711,906	-	711,906
	\$ 601,341	\$ 1,203,150	\$ -	\$ 1,804,491
	2013			
	Level 1	Level 2	Level 3	Total Fair Value
Cash Equivalents	\$ -	\$ 415,980	\$ -	\$ 415,980
Equities	550,244	-	-	550,244
Corporate Obligations	-	889,312	-	889,312
	\$ 550,244	\$ 1,305,292	\$ -	\$ 1,855,536

For the years ended December 31, 2014 and 2013, there have been no transfers in or out of levels 1, 2 or 3.

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.

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 6. INVESTMENTS (continued)

The following temporarily restricted funds held positions in the investment pool at December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
General Fund	\$ 8,966	\$ 180,308
<u>Temporarily Restricted Funds</u>		
Academic Freedom Fund	870,726	848,514
Legal Defense Fund	229,869	214,673
Henry T. Yost Fund	57,525	55,164
Glick, Rappaport & Tristman Memorial Fund	46,862	44,939
Burgan Fund	23,865	22,886
Beatrice G. Konheim Fund	11,406	11,938
Contingent Faculty Fund	10,870	10,424
Moses and Dorothy Passer Legal Defense Fund	7,014	5,085
Industry and the Academy Fund	5,289	5,072
Hopper Travel Fund	854	553
Total Temporarily Restricted Funds	<u>1,264,280</u>	<u>1,219,248</u>
<u>Permanently Restricted Funds</u>		
Moses and Dorothy Passer Legal Defense Fund	<u>40,000</u>	<u>40,000</u>
Total Investment Pool	<u>\$ 1,313,246</u>	<u>\$ 1,439,556</u>

Investment income consists of the following components for the years ended December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 24,747	\$ 30,006
Net gains	<u>49,301</u>	<u>183,797</u>
Total Investment Income	<u>\$ 74,048</u>	<u>\$ 213,803</u>

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 7. 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 statement of financial position.

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 8. DUE TO AAUP

At December 31 2014 and 2013, the AAUP Foundation owed the AAUP \$178,069 and \$246,824, respectively, originating from the following activities.

	2014	2013
Funds to be Received from the AAUP		
Contributions	\$ 221,451	\$ 6,478
Other revenue	-	5,008
Total Funds to be received from the AAUP	<u>221,451</u>	<u>11,486</u>
Funds Owed to the AAUP		
Beginning balance	246,824	-
Accrued expenses of the AAUP Predecessor 501(c)(3)	-	89,777
Net liability transfer from the AAUP Predecessor 501(c)(3)	-	83,474
Staffing expenses	107,261	91,692
Operating expenses	106,765	87,418
Fundraising	5,156	15,186
Legal and accounting	33,437	14,986
Grants	21,092	12,500
Other expenses	102	23,277
Total Funds Owed to the AAUP	<u>520,637</u>	<u>418,310</u>
Net Funds Owed to the AAUP Before Payments	299,186	406,824
Payments Made to the AAUP	<u>121,117</u>	<u>160,000</u>
Net Funds Owed to the AAUP After Payments	<u>\$ 178,069</u>	<u>\$ 246,824</u>

AAUP Foundation
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

NOTE 8. DUE TO AAUP (continued)

In November 2013, the AAUP agreed to allow the AAUP Foundation to defer the payment of \$105,585 of the balance due at December 31, 2013, for five years interest free. Payments of \$21,117 were to be made annually beginning no later than December 31, 2014.

In November 2014, after an initial payment of \$121,117, the AAUP agreed to forgive the remaining balance of these deferred payments. In addition, the AAUP agreed to forgive all the remaining balance from 2013 and a portion of the 2014 non-direct expenses allocated to the AAUP Foundation in accordance with the cost-sharing agreement in the amount of \$84,733. The total amount forgiven by the AAUP of \$210,440 is reflected as contributions for the year ended December 31, 2014 on the statements of activities. The Foundation is still liable for all direct expenses.

NOTE 9. TAX STATUS

The AAUP 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 AAUP Foundation had no unrelated business income in 2014 and is not a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate income tax positions taken and accrue an income tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated the income tax positions taken and concluded that as of December 31, 2014 there are no uncertain positions taken or expected to be taken that would require accrual of a liability in the financial statements. The AAUP Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

AAUP Foundation
Schedule of Functional Expenses
For the Year Ended December 31, 2014

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total</u>
	<u>AAUP Centennial</u>	<u>Communication</u>	<u>Academic Freedom</u>	<u>Legal Defense</u>	<u>Other Grants</u>	<u>Administration</u>	<u>Governance</u>	<u>Fundraising</u>	
Contracted Services	\$ 9,762	\$ 22,098	\$ -	\$ -	831	\$ 128,769	\$ 23,795	\$ 15,246	\$ 200,501
Facilities	-	-	-	-	-	20,193	-	-	20,193
Meeting and Travel Grants	-	-	-	-	4,592	-	-	-	4,592
Business Expenses	-	-	-	-	-	18,171	-	2,999	21,170
Meeting and Travel Expenses	-	1,482	-	-	2,500	587	2,168	-	6,737
Office Expenses	227	2,552	-	-	34	6,186	147	743	9,889
Grants and Other Expenses	-	-	14,000	-	-	2,948	-	-	16,948
	<u>\$ 9,989</u>	<u>\$ 26,132</u>	<u>\$ 14,000</u>	<u>\$ -</u>	<u>\$ 7,957</u>	<u>\$ 176,854</u>	<u>\$ 26,110</u>	<u>\$ 18,988</u>	<u>\$ 280,030</u>

See Report of Independent Auditors

AAUP Foundation
Schedule of Functional Expenses
For the Year Ended December 31, 2013

	Program Services					Supporting Services			Total
	AAUP Centennial	Communication	Academic Freedom	Legal Defense	Other Grants	Administration	Governance	Fundraising	
Contracted Services	\$ 12,229	\$ 17,195	\$ -	\$ -	\$ -	\$ 109,779	\$ 25,421	\$ 40,959	\$ 205,583
Facilities	-	8	-	-	-	20,386	-	-	20,394
Meeting and Travel Grants	-	-	-	-	4,325	-	-	-	4,325
Business Expenses	-	-	-	-	-	13,813	-	4,132	17,945
Meeting and Travel Expenses	-	60	-	-	-	548	5,109	328	6,045
Office Expenses	98	9,897	-	-	-	7,266	-	-	17,261
Grants and Other Expenses	-	20	8,500	2,000	-	2,535	-	250	13,305
	<u>\$ 12,327</u>	<u>\$ 27,180</u>	<u>\$ 8,500</u>	<u>\$ 2,000</u>	<u>\$ 4,325</u>	<u>\$ 154,327</u>	<u>\$ 30,530</u>	<u>\$ 45,669</u>	<u>\$ 284,858</u>