

**AMERICAN ASSOCIATION OF  
UNIVERSITY PROFESSORS**

**STATEMENT OF EXPENSES AND ALLOCATION OF  
EXPENSES BETWEEN CHARGEABLE EXPENSES  
AND NON-CHARGEABLE EXPENSES  
AND  
REPORT OF INDEPENDENT AUDITORS**

**DECEMBER 31, 2007**

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## REPORT OF INDEPENDENT AUDITORS

To the Council of the American  
Association of University Professors

We have audited the accompanying statement of expenses and allocation of expenses between chargeable expenses and non-chargeable expenses for the American Association of University Professors ("the Association") for the year ended December 31, 2007. This statement is the responsibility of the Association's management. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the statement of expenses and allocation of expenses between chargeable expenses and non-chargeable expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by the Association's management, as well as evaluating the overall presentation of the statement. We believe that our audit of the statement provides a reasonable basis for our opinion.

The total expenses reflected in these statements are based on the audited financial statements for the year ended December 31, 2007, as modified to exclude certain expenses as discussed in Note 4. The allocation of expenses between chargeable and non-chargeable is based on the descriptions and the allocation methods described in Notes 2 and 3. The accompanying statement was prepared for the purpose of determining the fair share cost of services rendered by the Association for employees represented by, but not members of, local chapters of the Association. The accompanying statement is not intended to be a complete presentation of the Association's financial statements.

In our opinion, the statement of expenses referred to above presents fairly, in all material respects, the total expenses of the American Association of University Professors and the allocation of expenses between chargeable expenses and non-chargeable expenses for the year ended December 31, 2007 based on the allocation methods described in the notes.

This report is intended solely for the information and use of the American Association of University Professors and its agency fee payers and is not intended to be and should not be used by anyone other than these specified parties.

*Calibre CPA Group, PLLC*

Washington, DC  
July 1, 2008

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**STATEMENT OF EXPENSES AND ALLOCATION OF EXPENSES BETWEEN  
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**

YEAR ENDED DECEMBER 31, 2007

|  | Chargeable to<br>Objectors | Non-<br>Chargeable to<br>Objectors | Total<br>Expenses   |
|--|----------------------------|------------------------------------|---------------------|
|  | <u>          </u>          | <u>          </u>                  | <u>          </u>   |
| Service to collective bargaining chapters                      | \$ 203,203                 | \$ -                               | \$ 203,203          |
| Collective Bargaining Congress                                 | 154,331                    | -                                  | 154,331             |
| Committee on the Economic Status of the Profession             | 56,396                     | -                                  | 56,396              |
| Academe  | 68,729                     | 340,813                            | 409,542             |
| Grants to collective bargaining chapters                       | 6,500                      | 27,861                             | 34,361              |
| Administration   |                            |                                    |                     |
| Administrative services  | 623,814                    | 2,335,457                          | 2,959,271           |
| Office of General Secretary                                    | 36,562                     | 136,883                            | 173,445             |
| Membership records   | 69,421                     | 259,899                            | 329,320             |
| Executive functions  | 31,197                     | 116,795                            | 147,992             |
| Office of Staff Counsel  | 24,206                     | 90,622                             | 114,828             |
| Restructuring Task force                                       | 37,400                     | 140,021                            | 177,421             |
| Membership development   | -                          | 115,995                            | 115,995             |
| Public information   | -                          | 212,044                            | 212,044             |
| Chapter development  | -                          | 146,234                            | 146,234             |
| Organizing   | -                          | 59,102                             | 59,102              |
| Committee on Governance  | -                          | 52,155                             | 52,155              |
| Other publications   | -                          | 72,396                             | 72,396              |
| Committee on Academic Freedom and Tenure                       | -                          | 399,667                            | 399,667             |
| Committee on Government Relations                              | -                          | 101,243                            | 101,243             |
| Committee on the Status of Women in the<br>Academic Profession | -                          | 4,911                              | 4,911               |
| Fund raising   | -                          | 80,007                             | 80,007              |
| Research   | -                          | 68,810                             | 68,810              |
| Other Committees   | -                          | 149,725                            | 149,725             |
|  | <u>          </u>          | <u>          </u>                  | <u>          </u>   |
| Total  | <u>\$ 1,311,759</u>        | <u>\$ 4,910,641</u>                | <u>\$ 6,222,400</u> |
| Percentage   | <u>21.08%</u>              | <u>78.92%</u>                      | <u>100.00%</u>      |

**AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS**

**NOTES TO STATEMENT OF EXPENSES AND ALLOCATION  
OF EXPENSES BETWEEN CHARGEABLE EXPENSES  
AND NON-CHARGEABLE EXPENSES**

DECEMBER 31, 2007

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the Association's significant accounting and reporting policies. The summary is presented to assist in understanding the financial statement.

**Method of Accounting** - The accompanying financial statement is presented on the accrual basis of accounting, and in accordance with Statements of Financial Accounting Standard (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations".

**Income Taxes** - The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for income taxes on its unrelated business income. The Association is not a private foundation.

**Use of Estimates** - In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

**NOTE 2. CHARGEABLE EXPENSES**

The following expenses are considered to be of direct benefit to nonmembers, given their close connection to negotiated terms and conditions of faculty appointment. National AAUP considers the expenses listed below to be chargeable to objecting nonmembers who pay agency fees.

**Service to Collective Bargaining Chapters** - These expenses reflect direct services provided to AAUP chapters that engage in collective bargaining. The services concern consultation on negotiations, grievances, arbitrations, chapter organizational issues, and other activities germane to the collective bargaining process. No membership recruitment expenses are included.

**Collective Bargaining Congress** - These expenditures relate to conventions, meetings and workshops of the AAUP subgroup addressing the common concerns of collective bargaining chapters, in addition to other activities sponsored by the CBC. The activities of the collective bargaining congress serve to educate collective bargaining leaders in the organization.

**NOTE 2. CHARGEABLE EXPENSES (CONTINUED)**

**Committee on the Economic Status of the Profession** - This committee prepares a definitive annual report on faculty salaries at institutions of higher education. The annual report serves as a benchmark for the academic community in establishing compensation packages. It proves highly useful to AAUP collective bargaining chapters in negotiations over compensation.

*Academe* - One issue of AAUP's bi-monthly journal, *Academe*, is devoted to the report of the Committee on the Economic Status of the Profession. This issue is considered chargeable, given the utility of the report in collective negotiation of the terms and conditions of faculty appointments. Where *Academe* is provided to nonmembers, that portion of the annual cost attributable to the committee report, based on page production, is considered to be chargeable.

For the chapters that do not provide *Academe* to all nonmembers, the allocation of expenses between chargeable and nonchargeable would change the overall percentages as follows:

|                                   | <u>Chargeable<br/>to Objectors</u> | <u>Non-<br/>Chargeable<br/>to Objectors</u> | <u>Total<br/>General Fund<br/>Expenses</u> |
|-----------------------------------|------------------------------------|---|--|
| Expenses as previously allocated  | \$1,311,759                        | \$4,910,641                                 | \$6,222,400                                |
| Deduct charges for <i>Academe</i> | <u>(68,729)</u>                    | <u>68,729</u>                               | <u>-</u>                                   |
|                                   | <u>\$1,243,030</u>                 | <u>\$4,979,370</u>                          | <u>\$6,222,400</u>                         |
|                                   | <u>19.98%</u>                      | <u>80.02%</u>                               | <u>100%</u>                                |

**Grants to Collective Bargaining Chapters** - Direct grants are made to collective bargaining chapters and to individuals in support of collective bargaining efforts. The portion of the grants related to membership development and chapter development is considered nonchargeable. The portion of the grants related to terms and conditions of faculty appointments is considered chargeable.

**Other** - A portion of the expenses for general administrative services, Office of General Secretary, membership records, executive functions, office of staff counsel and restructuring task force is considered chargeable. The allocation method consists of subtracting these expenses from total expenses. The ratio of these expenses to the total remaining expenses is applied to chargeable expenses. The result represents the portion of the expenses for administrative services, the Office of General Secretary, membership records, executive functions, office of staff counsel and restructuring task force considered to be chargeable to objecting agency fee payers. Restructuring task force expenses were included in general administrative expenses in 2006. For 2007, these expenses have been recorded as a separate line item.

**NOTE 3. NONCHARGEABLE EXPENSES**

The following expenses of AAUP, to the extent they are not germane to collective bargaining, are considered to be nonchargeable to objecting agency fee payers: Membership development, public information, chapter development, organizing activities, development of AAUP state conferences, dues paid to other organizations, other publications and fund raising.

In addition, the expenses of the following committees that develop recommended policy standards are considered to be nonchargeable:

Committee on Academic Freedom and Tenure  
Committee on Government Relations

**NOTE 4. RECONCILIATION OF EXPENSES FROM AUDITED FINANCIAL STATEMENTS TO STATEMENT OF CHARGEABLE AND NON-CHARGEABLE EXPENSES.**

The following is a reconciliation of total expenses as reported on the audited financial statements to the total expenses allocated between chargeable and non-chargeable:

|   |                     |
|---|---------------------|
| Total expenses for all funds as reported<br>on the audited financial statements | \$ 6,226,849        |
| Funds excluded from statement:  |                     |
| Academic Freedom Fund   | (2,838)             |
| Konheim Fund  | (1,611)             |
|   | <hr/>               |
| Total expenses subjected to allocation  | <u>\$ 6,222,400</u> |