AMERICANS UNITED FOR SEPARATION

OF CHURCH AND STATE

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

MSWS

MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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MULLEN & SONDBERG
WIMBISH STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

888 Bestgate Road • Suite 310 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Americans United for Separation
of Church and State
Washington D.C.

We have audited the accompanying financial statements of Americans United for Separation of Church and State (a non-profit Organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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.

To the Board of Trustees of
Americans United for Separation of Church and State

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Americans United for Separation of Church and State as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Americans United for Separation of Church and State's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mullen Sondberg Wimbish & Stone

MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
March 9, 2020

Americans United for Separation of Church and State
STATEMENT OF FINANCIAL POSITION
September 30, 2019

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 1,010,423	$ 594,072
Investments	8,525,948	10,195,286
Bequests receivable	2,770,019	375,177
Interest receivable	32,182	40,834
Other receivables	2,244	571
Inventory	-	513
Prepaid expenses	89,569	77,036
Deposits	23,774	11,280
Total current assets	12,454,159	11,294,769
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	781,245	875,028
OTHER ASSETS		
Cash and cash equivalents - restricted for remainder trust	7,311	7,290
Investments - restricted for remainder trust	226,134	247,147
Deposits	85,505	85,505
Finance lease right of use assets, net of accumulated amortization	41,310	45,989
Operating lease right of use asset	4,179,348	4,544,843
Total other assets	4,539,608	4,930,774
Total assets	$ 17,775,012	$ 17,100,571

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 103,610	$ 149,918
Accrued expenses	433,986	314,519
Accrued pension	828,601	1,004,462
Deferred rent	79,693	79,839
Finance lease obligations	15,355	15,234
Charitable annuities payable	131,095	129,400
Operating lease liability	549,087	535,685
Total current liabilities	2,141,427	2,229,057
LONG-TERM LIABILITIES		
Deferred rent	1,053,061	1,119,206
Finance lease obligations	27,569	32,380
Charitable annuities payable	458,847	507,001
Remainder trust payable	125,434	139,694
Operating lease liability	3,630,261	4,009,158
Total long-term liabilities	5,295,172	5,807,439
Total liabilities	7,436,599	8,036,496
NET ASSETS		
Without donor restrictions	2,290,668	1,281,697
Without donor restrictions - Board designated	7,939,733	7,667,634
With donor restrictions	108,012	114,744
Total net assets	10,338,413	9,064,075
Total liabilities and net assets	$ 17,775,012	$ 17,100,571

The accompanying notes are an integral part of these financial statements.

Americans United for Separation of Church and State
STATEMENT OF ACTIVITIES
Year Ended September 30, 2019
With Summarized Financial Information for the Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	$ 4,313,467	$ -	$ 4,313,467	$ 4,493,205
Bequests	3,143,772	-	3,143,772	2,034,644
Donated services	2,665,012	-	2,665,012	10,320
Trust and foundation grants	697,946	-	697,946	515,244
Investment income, net of expenses	409,008	-	409,008	402,308
Legal settlement	300,797	-	300,797	-
Contributions - chapters	17,639	-	17,639	32,895
Gift annuity income	11,196	-	11,196	103,736
Other revenue	11,026	-	11,026	16,846
Contributions - local churches	2,685	-	2,685	2,015
Sales of literature	2,433	-	2,433	1,750
Special events	-	-	-	220,448
Change in value of split interest agreements	(70,232)	(6,732)	(76,964)	64,592
Realized and unrealized loss on investments	(80,176)	-	(80,176)	(395,401)
Total revenues, gains, and other support	11,424,573	(6,732)	11,417,841	7,502,602
EXPENSES				
Program services				
Educational and publication division	2,179,244	-	2,179,244	1,973,375
Field services division	1,412,903	-	1,412,903	1,269,315
Legal division	4,354,062	-	4,354,062	1,578,783
Trustees and national advisory council meetings	68,670	-	68,670	84,719
Total program services	8,014,879	-	8,014,879	4,906,192
Supporting services				
Management and general	846,698	-	846,698	848,785
Fundraising	1,457,787	-	1,457,787	1,408,834
Total supporting services	2,304,485	-	2,304,485	2,257,619
Total expenses	10,319,364	-	10,319,364	7,163,811
Change in net assets before other items	1,105,209	(6,732)	1,098,477	338,791
OTHER ITEMS				
Minimum pension liability adjustment	175,861	-	175,861	667
Change in net assets	1,281,070	(6,732)	1,274,338	339,458
NET ASSETS AT BEGINNING OF YEAR	8,949,331	114,744	9,064,075	8,724,617
NET ASSETS AT END OF YEAR	$ 10,230,401	$ 108,012	$ 10,338,413	$ 9,064,075

The accompanying notes are an integral part of these financial statements.

Americans United for Separation of Church and State
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2019
With Summarized Financial Information for the Year Ended September 30, 2018

	Program Services					Supporting Services			Total	
	Educational and Publication Division	Field Services Division	Legal Division	Trustees and National Advisory Council Meetings	Total Program Services	Management and General	Fundraising	Total Supporting Services	2019	2018
Salaries	$ 757,271	$ 765,936	$ 934,512	$ -	$ 2,457,719	$ 361,549	$ 208,689	$ 570,238	$ 3,027,957	$ 2,790,916
Donated services	5,145	218	2,659,156	-	2,664,519	145	348	493	2,665,012	10,320
Direct mail	355,623	-	-	-	355,623	126,670	572,986	699,656	1,055,279	925,311
Employee benefits/payroll taxes	244,632	259,238	307,263	-	811,133	168,184	65,410	233,594	1,044,727	995,227
Office rent/lease expense	123,600	125,014	152,529	-	401,143	57,019	34,062	91,081	492,224	469,394
Professional fees	69,794	-	1,823	-	71,617	1,992	260,905	262,897	334,514	179,506
Consulting fees	63,306	30,686	37,440	-	131,432	14,485	176,868	191,353	322,785	353,771
Printing and production	150,470	1,954	6,987	-	159,411	1,599	20,603	22,202	181,613	195,847
Dues and subscriptions	34,531	47,018	67,014	-	148,563	16,398	9,214	25,612	174,175	136,181
Depreciation and amortization	46,422	35,153	42,890	-	124,465	16,594	9,578	26,172	150,637	153,531
Postage and delivery	120,775	3,134	1,979	-	125,888	1,889	18,807	20,696	146,584	145,931
Polling	117,500	-	-	-	117,500	-	-	-	117,500	-
Meetings and conventions	9,771	30,836	9,932	-	50,539	17,193	7,606	24,799	75,338	42,916
Travel and entertainment	6,408	15,731	34,430	-	56,569	15,488	2,967	18,455	75,024	83,305
Bank fees	18,625	18,839	22,985	-	60,449	9,420	5,133	14,553	75,002	84,149
Trustees expenses	-	-	-	68,670	68,670	-	-	-	68,670	84,719
Telephone, internet and website	13,165	11,848	15,671	-	40,684	10,905	2,884	13,789	54,473	56,420
Advertising	12,679	12,378	15,103	-	40,160	5,843	3,373	9,216	49,376	7,522
Data processing	-	-	-	-	-	-	43,154	43,154	43,154	42,044
Computer and other supplies	4,853	6,479	6,681	-	18,013	11,933	2,945	14,878	32,891	83,155
Insurance	6,187	6,258	14,921	-	27,366	2,954	1,705	4,659	32,025	27,224
Accounting/audit	6,839	6,917	8,439	-	22,195	3,265	1,885	5,150	27,345	27,740
Other	2,983	7,961	6,286	-	17,230	1,424	6,322	7,746	24,976	28,512
Chapter reimbursements	-	18,100	-	-	18,100	-	-	-	18,100	26,451
Temporary help	5,000	5,500	3,500	-	14,000	-	-	-	14,000	7,000
Payroll services	1,821	1,841	2,247	-	5,909	869	502	1,371	7,280	7,400
Utilities	725	733	894	-	2,352	346	200	546	2,898	9,609
Minor equipment	701	709	865	-	2,275	335	193	528	2,803	6,458
Interest expense	418	422	515	-	1,355	199	113	312	1,667	2,186
Special events	-	-	-	-	-	-	1,335	1,335	1,335	102,365
Campaigns	-	-	-	-	-	-	-	-	-	48,863
Writers and news services	-	-	-	-	-	-	-	-	-	29,838
Total expenses	$ 2,179,244	$ 1,412,903	$ 4,354,062	$ 68,670	$ 8,014,879	$ 846,698	$ 1,457,787	$ 2,304,485	$ 10,319,364	$ 7,163,811

The accompanying notes are an integral part of these financial statements.

Americans United for Separation of Church and State
STATEMENT OF CASH FLOWS
Year Ended September 30, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,274,338	$ 339,458
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	150,637	153,531
Realized and unrealized loss on investments	80,176	395,401
Change in value of split interest agreements	76,964	(64,592)
Donated securities	(44,384)	(107,400)
(Increase) decrease in operating assets:		
Bequests receivable	(2,394,842)	(115,879)
Interest receivable	8,652	2,395
Other receivables	(1,673)	(319)
Inventory	513	3,180
Prepaid expenses	(12,533)	7,224
Deposits	(12,494)	34,844
Increase (decrease) in operating liabilities:		
Accounts payable	(46,308)	40,119
Accrued expenses	119,467	(67,318)
Accrued pension	(175,861)	(667)
Deferred revenue	-	(169,840)
Deferred rent	(66,291)	(9,725)
Net cash provided by (used in) operating activities	(1,043,639)	440,412
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments, including income reinvested	(5,761,581)	(6,301,922)
Proceeds from sales of investments	7,416,140	5,849,972
Purchase of property and equipment	(41,336)	(24,454)
Net cash provided by (used in) investing activities	1,613,223	(476,404)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in cash restricted by remainder trust	(21)	(11)
Increase in annuities payable from new gifts	13,804	96,265
Investment income on annuity funds	(9,531)	5,205
Principal payments on finance lease obligations	(15,528)	(15,060)
Payments on annuities payable	(141,957)	(153,196)
Net cash used in financing activities	(153,233)	(66,797)
Net change in cash and cash equivalents	416,351	(102,789)
Cash and cash equivalents at beginning of year	594,072	696,861
Cash and cash equivalents at end of year	$ 1,010,423	$ 594,072
SUPPLEMENTARY DISCLOSURES:		
Noncash investing and financing activities		
Purchase of property and equipment	$ 52,174	$ 24,454
Less amount financed	(10,838)	-
Net cash paid for property and equipment	$ 41,336	$ 24,454
Cash paid during the year for interest	$ 1,667	$ 2,186

The accompanying notes are an integral part of these financial statements.

Note 1 - Summary of Significant Accounting Policies

Nature of Organization

Americans United for Separation of Church and State (the Organization) is organized as a non-profit educational Organization, and is granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The objective of the Organization is to defend, maintain, and promote religious liberty and the constitutional principle of the separation of church and state. The Organization's primary sources of support and revenues are contributions and investment income.

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. Generally Accepted Accounting Principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Revenue Recognition

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Funds received prior to satisfying a condition are reported as deferred revenue in the statement of financial position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. It is exempt from paying federal income tax on any income except unrelated business income. No provision has been made for income taxes as the Organization has had no significant unrelated business income.

Income Tax Position

The Organization follows the guidance of ASC 740-10, "*Accounting for Uncertainty in Income Taxes*" which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Organization's financial statements.

The Organization analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Washington, D.C. statute. The Organization does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Organization's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after September 30, 2016 remain subject to examination by federal and state authorities.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all non-profit organizations to present their expenses on a functional basis, separating program services from management and general, and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on salaries for expenses such as supplies, depreciation, insurance, and bank fees.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents represent deposits in checking and savings accounts and certificates of deposit with maturities of ninety days or less.

Investments

Investments are presented in the financial statements at quoted fair value. The net realized and unrealized appreciation (depreciation) in market value of investments is reflected in the statement of activities. Investments consist of various debt and equity investment vehicles, and cash and money market funds held by a broker.

Other Receivables

Other receivables are stated at the full amount, an allowance for doubtful accounts is not deemed necessary by management.

Bequests

The Organization has been named as beneficiary of various estates. Revenue is recognized when the Organization is notified and the amount of the bequest is known.

Inventory

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. The inventory was written off during the year ended September 30, 2019.

Property and Equipment

Organization policy dictates capitalization of property, plant and equipment costing $1,000 or more. Property and equipment are stated at cost. Gifts of long-lived assets such as land, buildings, or equipment are recorded at their fair value. Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable assets.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Leases

The Organization recognizes a right of use (ROU) asset and lease liability on the statement of finance position for all leases with a term longer than 12 months. Leases are classified as financing or operating. Finance leases are expensed through interest and amortization expense and operating leases are expensed through lease expense on the statement of activities.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognized the fair value of donated legal services as revenue and expense in the amount of $2,665,012 and $10,320 for the years ended September 30, 2019 and 2018, respectively.

Advertising

The Organization expenses advertising costs when incurred. Advertising expenses were $49,376 and $7,522 for the years ended September 30, 2019 and 2018, respectively.

New Accounting Pronouncement

On August 18, 2016, FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The *ASU* is effective for fiscal years beginning after December 15, 2017, and accordingly, the Organization has adjusted the presentation of these financial statements. *ASU 2016-14* has been applied retrospectively to all periods presented. As a result of the implementation of *ASU 2016-14*, net assets have been reclassified in the accompanying financial statements as follows as of September 30, 2018:

Net Asset Classification	Prior to the Adoption of ASU 2016-14	After Adoption of ASU 2016-14
Unrestricted	$ 1,281,697	$ -
Unrestricted - Board designated	7,667,634	-
Temporarily restricted	114,744	-
Net assets without donor restrictions	-	1,281,697
Net assets without donor restrictions - Board designated	-	7,667,634
Net assets with donor restrictions	-	114,744
	$ 9,064,075	$ 9,064,075

Note 2 - Availability and Liquidity

The following represents the Americans United for Separation of Church and State's financial assets at September 30:

Financial assets at year end:	2019	2018
Cash and cash equivalents	$ 1,017,734	$ 601,362
Investments	8,752,082	10,442,433
Bequests receivable	2,770,019	375,177
Interest receivable	32,182	40,834
Other receivables	2,244	571
Total financial assets	12,574,261	11,460,377
Less amounts not available to be used within one year:		
Restricted cash and cash equivalents - restricted for remainder trust	(7,311)	(7,290)
Restricted investments - restricted for remainder trust	(226,134)	(247,147)
Net assets with donor restrictions	(108,012)	(114,744)
Net amounts not available to be used within one year	12,232,804	11,091,196
Less: Board designated funds	(7,939,733)	(7,667,634)
Financial assets available to meet general expenditures over the next twelve months	$ 4,293,071	$ 3,423,562

The Organization's goal is to establish at least three months of average recurring operating costs in available liquidity (approximately $1,914,000). Monthly average recurring costs are calculated by dividing total operating expenses for the year by twelve months.

The Organization has Board designated funds. Determination of the need to use these funds required analysis of the sufficiency of the current level of reserve funds, the availability of any other sources of funds before using reserves, evaluation of the time period for which the funds will be required to be replenished, and Board of Trustees authorization.

Note 3 - Concentration of Cash Balances

At September 30, 2019 and 2018, and at various times during the fiscal years then ended, the Organization maintained cash balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Amounts held in excess of FDIC insurance coverage as of September 30, 2019 and 2018 were approximately $564,000 and $201,000, respectively.

Note 4 - Investments

Investments are presented in the financial statements at fair market value. Donated securities are recorded at fair market value on the date of the gift. Investments consisted of the following for the years ended September 30:

2019	Cost	Market	Cumulative Unrealized Gain (Loss)
Corporate stocks	$ 5,669,606	$ 5,288,373	$ (381,233)
Bonds	2,151,346	2,080,421	(70,925)
Preferred stocks	691,232	726,229	34,997
Exchange traded funds	344,566	430,846	86,280
Mortgage backed assets	15	79	64
	8,856,765	8,525,948	(330,817)
Restricted investments - annuities	274,820	226,134	(48,686)
	$ 9,131,585	$ 8,752,082	$ (379,503)

2018	Cost	Market	Cumulative Unrealized Gain (Loss)
Corporate stocks	$ 6,661,878	$ 6,409,842	$ (252,036)
Bonds	2,629,257	2,501,807	(127,450)
Preferred stocks	780,592	764,965	(15,627)
Exchange traded funds	404,306	518,586	114,280
Mortgage backed assets	18	86	68
	10,476,051	10,195,286	(280,765)
Restricted investments - annuities	286,281	247,147	(39,134)
	$ 10,762,332	$ 10,442,433	$ (319,899)

Realized and unrealized loss on the value of investments for the years ended September 30, 2019 and 2018 amounted to $(80,176) and $(395,401), respectively.

Note 5 - Fair Value Measurement

ASC 820-10 Fair Value Measurements establishes 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 or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB *ASC820* are as described as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include:

- 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;
- 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 that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, include active corporate stocks, bonds, preferred stocks, and exchange traded funds.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified with Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or non-transferability, which are generally based on available market information. Level 2 investments include certain mortgage backed assets and unit investment trust annuities.

Note 5 - Fair Value Measurement (Cont.)

Liabilities classified within Level 3 have significant unobservable inputs. Level 3 liabilities include charitable gift annuities payable and remainder trusts. The Organization uses the actuarial method of recording annuity contracts. Under this method, when a gift is received, the present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables. The charitable gift annuity liability account is credited with investment income and gains and is charged with investment losses and payments to the beneficiary. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses.

There have been no changes in investment valuation techniques or inputs.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy:

September 30, 2019	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Corporate stocks	$ 5,288,373	$ -	$ -	$ 5,288,373
Bonds	2,080,421	-	-	2,080,421
Perferred stocks	726,229	-	-	726,229
Exchange traded funds	430,846	-	-	430,846
Mortgage backed assets	-	79	-	79
Restricted annuities	-	226,134	-	226,134
Total investments	$ 8,525,869	$ 226,213	$ -	$ 8,752,082
Liabilities				
Charitable annuities payable	$ -	$ -	$ 589,942	$ 589,942
Remainder trust payable	-	-	125,434	125,434
Total liabilities	$ -	$ -	$ 715,376	$ 715,376

September 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Corporate stocks	$ 6,409,842	$ -	$ -	$ 6,409,842
Bonds	2,501,807	-	-	2,501,807
Perferred stocks	764,965	-	-	764,965
Exchange traded funds	518,586	-	-	518,586
Mortgage backed assets	-	86	-	86
Restricted annuities	-	247,147	-	247,147
Total investments	10,195,200	247,233	-	10,442,433
Liabilities				
Charitable annuities payable	$ -	$ -	$ 636,401	$ 636,401
Remainder trust payable	-	-	139,694	139,694
Total liabilities	$ -	$ -	$ 776,095	$ 776,095

Note 5 - Fair Value Measurement (Cont.)

The following table is a roll forward of the statement of financial position amounts for financial instruments classified within Level 3. Fair value measurement as of September 30, 2019 and 2018 using Level 3 inputs is as follows:

	Liabilities	
	Charitable Annuities Payable	Remainder Trust Payable
Balance as of September 30, 2017	$ 745,516	$ 146,897
Investment gain	-	5,205
Contributions	96,265	-
Payments to annuitants	(140,336)	(12,860)
Actuarial adjustment	(65,044)	452
Balance as of September 30, 2018	$ 636,401	$ 139,694
Balance as of September 30, 2018	$ 636,401	$ 139,694
Investment loss	-	(9,530)
Contributions	13,804	-
Payments to annuitants	(130,495)	(11,462)
Actuarial adjustment	70,232	6,732
Balance as of September 30, 2019	$ 589,942	$ 125,434

Note 6 - Property and Equipment

Property and equipment consisted of the following for the years ended September 30:

	Estimated Lives	2019	2018
Land	--	$ 2,400	$ 2,400
Mineral rights	--	2,970	2,970
Leasehold improvements	10 years	897,076	889,713
Furniture and equipment	5-7 years	423,797	389,822
Website development	3-5 years	35,000	35,000
		1,361,243	1,319,905
Less accumulated depreciation		(579,998)	(444,877)
Net property and equipment		$ 781,245	$ 875,028

Note 6 - Property and Equipment (Cont.)

Depreciation and amortization expense for the years ended September 30, 2019 and 2018 amounted to $150,637 and $153,531, respectively.

Note 7 - Defined Benefit Plan

The Organization has a defined benefit pension plan that covers those employees who have been employed with the Organization for at least one year in which 1,000 or more hours of service were rendered and had not attained 65 years of age at the date of employment. The Plan calls for benefits to be paid to eligible employees at retirement, based primarily upon years of service with the Organization and compensation rates near retirement. Effective October 1, 2008, the Plan was frozen. Existing employees will no longer accrue benefits and the pension Plan is no longer available to new employees.

The Organization contributes to the Plan based on the actuarially determined amounts necessary to provide assets sufficient to meet benefits to be paid to Plan members. Plan assets consist of a deposit administration contract with Principal Financial Group. The annual measurement date is September 30 for the pension benefit. Contributions to the Plan for the years ended September 30, 2019 and 2018 were $250,000 and $260,000, respectively. The Organization expects to contribute $240,000 to the Plan during the year ended September 30, 2020. No Plan assets are expected to be returned to the Organization during the year ended September 30, 2019.

The following tables set forth further information about the Organization's defined benefit pension Plan as of and for the years ended September 30:

	2019	2018
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 4,306,254	$ 4,277,445
Interest cost	231,123	229,896
Actuarial loss	4,538	48,597
Benefits paid	(207,700)	(249,684)
Projected benefit obligation, end of year	4,334,215	4,306,254
Change in Plan assets		
Fair value of Plan assets, beginning of year	3,301,792	3,272,316
Actual return on Plan assets	161,522	19,160
Employer contributions	250,000	260,000
Benefits paid	(207,700)	(249,684)
Fair value of Plan assets, end of year	3,505,614	3,301,792
Funded status	$ (828,601)	$ (1,004,462)

Note 7 - Defined Benefit Plan (Cont.)

The change in the defined benefit pension plan deferrals is comprised of the following for the years ended September 30:

	2019	2018
Interest cost	$ 231,123	$ 229,896
Expected return on Plan assets	(175,878)	(174,614)
Net amortization/deferral		
Amortization of prior service cost	768	768
Amortization of net loss	50,284	41,142
Net periodic benefit cost	$ 106,297	$ 97,192

The amounts that have not yet been recognized as a component of net periodic benefit cost are as follows as of September 30:

	2019	2018
Deferred net loss on Plan assets	$ 1,426,531	$ 1,457,921
Deferred prior service costs	3,066	3,834
Net deferred cost	$ 1,429,597	$ 1,461,755

The estimated net loss and prior service cost that will be amortized from changes in unrestricted net assets into net periodic benefit cost for the years ended September 30, 2019 and 2018 were $50,284 and $41,142 respectively.

The underlying rates used to determine the net periodic benefit cost were as follows:

	2019	2018
Weighted average discount rate	5.50%	5.50%
Rate of compensation increase	0.00%	0.00%
Expected long-term rate of return	5.50%	5.50%

The investment policy is conservative, intended to preserve principal. This is accomplished by investing in select account assets managed by Raymond James. The primary allocation of Plan assets is in stocks. The management and diversification processes are the direct responsibility of the investment manager.

Note 7 - Defined Benefit Plan (Cont.)

The IRS required interest rate factors for valuing benefit obligations result in currently higher benefit obligations, while relatively low (but increasing) plan yields inhibit the growth in the value of the plan assets. However, the Organization has effectively determined that principal preservation is paramount at this time, even if that goal results in a temporarily larger mismatch between the growth of Plan benefit obligations in relation to the growth of the Plan assets. The Organization currently views the risk associated with other investments, such as equities, as too high as a significant loss in principal would be difficult to overcome in what are uncertain economic and equity market conditions.

The expected long-term rate of return on assets was determined by reference to the anticipated long-term returns on a conservative investment portfolio, determined with guidance from the professionals working with the Organization on the Plan matters.

The Plan's weighted-average asset allocations by asset category are as follows at September 30:

	2019	2018
Cash and equivalents	8%	3%
Equities	70%	75%
Fixed income	22%	22%
	100%	100%

The target is to maintain the following allocations:

	Minimum	Maximum	Preferred
Cash and equivalents	0%	100%	5%
Equities	25%	85%	70%
Fixed income	5%	65%	30%

Note 7 - Defined Benefit Plan (Cont.)

The following tables summarize the Organization's pension plan assets, by level, within the fair value hierarchy, by asset category at:

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 267,797	$ -	$ -	$ 267,797
Corporate stocks	1,973,536	-	-	1,973,536
Preferred stocks	326,631	-	-	326,631
Exchange traded funds	170,250	-	-	170,250
Corporate bonds	767,400	-	-	767,400
Total assets	$ 3,505,614	$ -	$ -	$ 3,505,614

	September 30, 2018			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 96,003	$ -	$ -	$ 96,003
Corporate stocks	2,071,037	-	-	2,071,037
Preferred stocks	248,822	-	-	248,822
Exchange traded funds	166,006	-	-	166,006
Corporate bonds	719,924	-	-	719,924
Total assets	$ 3,301,792	$ -	$ -	$ 3,301,792

The estimated future benefit payments are as follows for future years ending September 30:

2020	$ 263,862
2021	274,334
2022	286,078
2023	282,771
2024	297,253
2024-2028	1,496,488
	$ 2,900,786

Note 8 - Retirement Plan

The Organization offers its staff the option to participate in a defined contribution retirement plan pursuant to Section 401(k) of the Internal Revenue Code. The Organization has adopted this Plan as of January 1, 2010. Substantially all employees with at least 1,000 hours of service in any Plan year are eligible to participate and may contribute up to the maximum limitation imposed by the IRS. Beginning on January 1, 2012 the Organization has adopted a safe harbor matching contribution equal to a 100% match on the first 1% of employee deferrals and an additional 50% match on the next 5% of employee deferrals. Pension expense related to the defined contribution plan for the years ended September 30, 2019 and 2018 was $93,204 and $82,857, respectively and is included in employee benefits in the accompanying detail schedule of expenses.

Note 9 - Compensated Absences

Employees of the Organization are entitled to paid vacation, sick leave and personal days depending on job classification and length of service. Employees can carryover up to five vacation days at the end of the year. Paid sick leave can accrue up to 120 days although the Organization is not required to pay accumulated sick leave upon termination of employment. The liability for compensated absences at September 30, 2019 and 2018 was $250,586 and $177,208, respectively. The balance is included in accrued expenses on the statement of financial position.

Note 10 - Net Assets Without Donor Restrictions - Board Designated

The Organization has designated the proceeds from the sale of their office building and invested the funds into a Board designated investment account. Principal and earnings are designated for future endeavors that fall within the mission of the Organization at the discretion of the Board of Directors. The Board designated net assets at September 30, 2019 and 2018 totaled $7,939,733 and $7,667,634, respectively.

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions include the following at September 30:

	2019	2018
Hames Remainder Trust (Note 14)	$ 108,012	$ 114,744

Note 12 - Charitable Gift Annuities Payable

The Organization has received cash donations under charitable gift annuity agreements. In consideration of the gifts, the Organization agrees to pay annuities to the donors, over the lives of the donors. Annuity payments and changes in the annuity payable for life expectancy changes of donors amounted to a (increase) decrease of $70,232 and $(65,044) for the years ended September 30, 2019 and 2018, respectively.

Based on donor life expectancies and the use of discount rates ranging from 1.2% to 7.4%, the fair value of the charitable gift annuities is the present value of future obligations expected to be paid by the Organization and is estimated to be $589,942, which is recorded as a current liability of $131,095 and a long term liability of $458,847 in the statement of financial position as of September 30, 2019. As of September 30, 2018, the present value of future obligations expected to be paid by the Organization was estimated to be $636,401, which was recorded as a current liability of $129,400 and a long term liability of $507,001. Net contribution revenues recognized under these agreements were $11,196 and $103,736 for the years ended September 30, 2019 and 2018, respectively.

Note 13 - Allocation of Joint Costs

During the year ended September 30, 2019, the Organization incurred joint costs of $1,055,279 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, $572,986 was allocated to fundraising expense, $355,623 was allocated to the educational and publication division, and $68,670 was allocated to management and general. In the prior year ended September 30, 2018, the Organization incurred joint costs of $925,311 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, $477,758 was allocated to fundraising expense, $363,362 was allocated to the educational and publication division, and $84,191 was allocated to management and general.

Note 14 - Charitable Remainder Trust

The Organization administers a charitable remainder trust. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the Trust's term (usually the designated beneficiary's lifetime). At the end of the Trust's term, the remaining assets are available for the Organization's use. The portion of the Trust attributable to the present value of the future benefits to be received is recorded in the statement of activities as a temporarily restricted contribution in the period the trust is established. Such contributions totaled $472,612 in the year ended September 30, 2007. Assets held in the charitable remainder Trust totaled $233,445 and $254,437 at September 30, 2019 and 2018, respectively and are reported at fair market value in the statement of financial position as restricted cash and investments. On an annual basis, the Organization revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments totaled $125,434 and $139,694 at September 30, 2019 and 2018, respectively and is calculated using a discount rate of 6% and applicable mortality tables.

Note 15 - Commitments

In August 2016, the Organization entered into a two-year agreement starting November 1, 2016 with Thrive, whereby Thrive agrees to develop, implement, and assume responsibility for a direct response, public education, and fundraising program for and on behalf of the Organization. The agreement was extended to October 1, 2019. Thrive receives a monthly consulting fee of $9,500 for the agreement period. For the years ended September 30, 2019 and 2018, the consulting fees incurred by the Organization amounted to $114,000.

Note 16 - Operating Lease

In November 2015, the Organization entered into an agreement to lease office space in Washington D.C. The lease commenced in January 2017 and has a 130 month term expiring on October 31, 2027. The lease calls for initial monthly payments of $42,360 beginning in November 2017 with annual increases of 2.5%. The lease is also subject to common area maintenance of 7.94% of increased operating expenses and increased real estate taxes over the 2017 base year. The Organization has one option to extend the lease for an additional 5 year period with base rent to be calculated at the then prevailing market rent. The optional lease extension was not included in the operating lease right of use asset and lease liability calculation. The lease also allowed for a tenant improvement allowance in the amount of $856,725.

The Organization early adopted Accounting Standards Update No. 2016-2 Leases during the year ended September 30, 2017, and recognized a right of use asset in exchange for a lease liability, initially measured at the present value of the lease payments in the statement of financial position. The Organization used the risk free rate of return (prime rate) at the commencement date of the lease of 3.75% to calculate the present value of the lease payments. The present value of the right of use asset and lease liability at September 30, 2019 and 2018 amounted to $4,179,348 and $4,544,843, respectively.

The weighted average remaining lease term for the operating lease at September 30, 2019 and 2018 was 97 months and 109 months, respectively. The weighted average discount rate for the operating lease at September 30, 2019 and 2018 was 3.75%.

The cost of the lease is allocated over the lease term on a straight-line basis. Lease expense for the year ended September 30, 2019 and 2018 amounted to $492,224 and $469,394, respectively.

Note 16 - Operating Lease (Cont.)

The Organization has future minimum lease payments on the above operating lease as follows:

Year Ending September 30:	
2020	$ 549,088
2021	562,835
2022	585,931
2023	603,549
2024	618,658
Thereafter	2,006,206
Total	4,926,267
Less: present value discount	(746,919)
Lease liability	$ 4,179,348

Total rent expense for the years ended September 30, 2019 and 2018 was $492,224 and $469,394, respectively.

Note 17 - Finance Leases

The Organization leases equipment under agreements that have been accounted for as finance leases. The leases expire from January, 2022 to July, 2024. The finance leases have been capitalized and recorded as right of use assets in the statement of financial position. The finance lease obligations have been recorded in the financial statements at the present value of future minimum lease payments, discounted at an interest rate ranging from 3.8% to 6.0%. The capitalized cost of the leased equipment amounted to $89,260 and $78,422 as of September 30, 2019 and 2018, respectively. At September 30, 2019 and 2018, the book value of the equipment was $41,310 and $45,989, respectively.

Amortization expense attributable to the equipment amounted to $15,517 and $15,567 for the years ended September 30, 2019 and 2018, respectively, and is included in depreciation expense.

Interest expense incurred on the leases amounted to $1,667 and $2,186 during the years ended September 30, 2019 and 2018, respectively.

The weighted average remaining lease term for finance leases as of September 30, 2019 and 2018 amounted to 3.01 years and 3.21 years, respectively.

Note 17 - Finance Leases (Cont.)

The following is a schedule of the minimum lease payments due on the finance leases:

Year Ending September 30:	
2020	$ 16,937
2021	16,937
2022	7,257
2023	2,412
2024	2,412
Thereafter	201
Total future minimum lease payments	46,156
Less amount representing interest	(3,232)
Present value of future minimum payments (including current portion of $15,355)	$ 42,924

Note 18 - Subsequent Events

The Organization has evaluated the impact of significant subsequent events. Subsequent events were evaluated through March 9, 2020, which is the date the Organization's financial statements were available to be issued.

On October 1, 2019 the Organization entered into a contract agreement with Eidolon Communications, Inc. to receive certain fundraising consulting services with respect to the Organization's direct response program, which includes performing ongoing campaign management and supervision services. The contract agreement commences on October 1, 2019 and terminates on September 30, 2021. The Organization agrees to pay the Consultant $14,000 per month for services performed during the contract period. Additional service fees for travel, copywriting, and design are also disclosed in the contract agreement.

Subsequent to September 30, 2019, the stock market experienced a significant decline in value. As of March 9, 2020, the S&P 500 declined 8% since September 30, 2019. During the same period it is estimated that the Organization's investments declined by 11% or $1,100,000. The Organization will continue to monitor its investments as it has done in the past.