

**AMERICANS UNITED FOR SEPARATION  
OF CHURCH AND STATE  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**



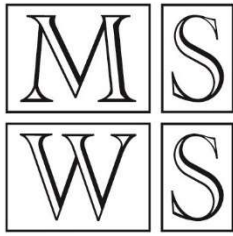
**MULLEN SONDBERG WIMBISH & STONE, PA**  

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**CERTIFIED PUBLIC ACCOUNTANTS**

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

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

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

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Americans United for Separation of Church and State's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Americans United for Separation of Church and State's ability to continue as a going concern for a reasonable period of time.

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

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

**Report on Summarized Comparative Information**

We have previously audited the Americans United for Separation of Church and State's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



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

Annapolis, Maryland  
April 21, 2023

Americans United for Separation of Church and State  
STATEMENT OF FINANCIAL POSITION  
September 30, 2022

ASSETS		2022	2021
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	3,640,064	\$ 2,654,987
Investments		8,986,818	10,836,656
Bequests receivable		5,086,634	5,190,231
Unconditional promises to give		45,000	25,000
Interest receivable		20,604	18,117
Other receivables		8,702	3,797
Prepaid expenses		247,103	254,484
Deposits		22,237	35,743
Inventory		10,156	-
Total current assets		18,067,318	19,019,015
<b>PROPERTY AND EQUIPMENT</b>			
Net of accumulated depreciation		610,026	593,128
<b>OTHER ASSETS</b>			
Cash equivalents - restricted for remainder trust		7,482	8,055
Investments - restricted for remainder trust		168,651	235,467
Unconditional promises to give, net of discount		18,863	24,575
Deposits		85,505	85,505
Finance lease right of use assets, net of accumulated amortization		45,861	10,767
Operating lease right of use asset		2,015,847	2,407,116
Total other assets		2,342,209	2,771,485
Total assets	\$	21,019,553	\$ 22,383,628
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$	163,923	\$ 99,693
Accrued expenses		530,644	464,134
Deferred revenue		2,500	-
Finance lease obligations		11,183	6,865
Charitable annuities payable		87,590	91,650
Operating lease liability		560,707	585,931
Total current liabilities		1,356,547	1,248,273
<b>LONG-TERM LIABILITIES</b>			
Finance lease obligations		37,478	4,712
Charitable annuities payable		325,393	341,291
Remainder trust payable		90,401	126,436
Accrued pension		1,506,624	2,297,192
Operating lease liability		2,297,465	2,780,047
Total long-term liabilities		4,257,361	5,549,678
Total liabilities		5,613,908	6,797,951
<b>NET ASSETS</b>			
Without donor restrictions		7,640,248	6,381,884
Without donor restrictions - Board-designated		7,614,665	8,990,341
With donor restrictions		150,732	213,452
Total net assets		15,405,645	15,585,677
Total liabilities and net assets	\$	21,019,553	\$ 22,383,628

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, 2022  
With Summarized Financial Information for the Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions of financial assets	\$ 6,763,979	\$ 60,000	\$ 6,823,979	\$ 5,712,046
Bequests	3,270,169	-	3,270,169	8,282,801
Trust and foundation grants	1,060,129	-	1,060,129	801,892
Contributions of nonfinancial assets	777,606	-	777,606	1,090,057
Investment income, net of expenses	249,352	-	249,352	242,185
Contributions - chapters	23,645	-	23,645	8,749
Other revenue	20,714	-	20,714	9,703
Gift annuity income	5,643	-	5,643	14,458
Contributions - local churches	2,830	-	2,830	2,685
Sales of literature	2,338	-	2,338	3,465
Gain on disposal of property and equipment	1,207	-	1,207	-
Change in value of split interest agreements	(64,989)	(31,354)	(96,343)	41,968
Realized and unrealized gain (loss) on investments	(1,942,140)	-	(1,942,140)	1,551,334
	<u>10,170,483</u>	<u>28,646</u>	<u>10,199,129</u>	<u>17,761,343</u>
Net assets released from restriction	91,366	(91,366)	-	-
Total revenues, gains, and other support	10,261,849	(62,720)	10,199,129	17,761,343
<b>EXPENSES</b>				
Program services				
Educational and publication division	3,295,793	-	3,295,793	2,727,104
Field services division	1,701,163	-	1,701,163	1,636,889
Legal division	2,780,737	-	2,780,737	2,879,514
Trustees and national advisory council meetings	27,885	-	27,885	16,202
Total program services	7,805,578	-	7,805,578	7,259,709
Supporting services				
Management and general	1,288,292	-	1,288,292	859,569
Fundraising	1,951,528	-	1,951,528	1,648,525
Total supporting services	3,239,820	-	3,239,820	2,508,094
Total expenses	11,045,398	-	11,045,398	9,767,803
Change in net assets before other items	(783,549)	(62,720)	(846,269)	7,993,540
<b>OTHER REVENUE (EXPENSE)</b>				
Minimum pension liability adjustment	1,357,823	-	1,357,823	(777,618)
Settlement loss on defined benefit pension plan cost	(691,586)	-	(691,586)	-
Total other revenue (expense)	666,237	-	666,237	(777,618)
Change in net assets	(117,312)	(62,720)	(180,032)	7,215,922
NET ASSETS AT BEGINNING OF YEAR	15,372,225	213,452	15,585,677	8,369,755
NET ASSETS AT END OF YEAR	<u>\$ 15,254,913</u>	<u>\$ 150,732</u>	<u>\$ 15,405,645</u>	<u>\$ 15,585,677</u>

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, 2022  
With Summarized Financial Information for the Year Ended September 30, 2021

	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	2022	2021
Salaries	\$ 1,083,239	\$ 891,372	\$ 1,097,458	\$ -	\$ 3,072,069	\$ 431,987	\$ 615,033	\$ 1,047,020	\$ 4,119,089	\$ 3,767,483
Direct mail	877,843	-	-	-	877,843	461,690	332,059	793,749	1,671,592	1,000,512
Employee benefits/payroll taxes	300,758	274,802	328,733	-	904,293	164,219	149,508	313,727	1,218,020	1,202,667
Donated services	-	-	776,712	-	776,712	894	-	894	777,606	1,090,057
Office rent/lease expense	129,951	106,933	131,656	-	368,540	51,823	73,782	125,605	494,145	493,063
Consulting fees	54,465	44,818	55,180	-	154,463	21,720	159,049	180,769	335,232	353,653
Dues and subscriptions	146,873	67,073	50,052	-	263,998	7,583	44,321	51,904	315,902	144,193
Professional fees	-	-	2,508	-	2,508	-	294,010	294,010	296,518	317,677
Campaigns	247,122	-	-	-	247,122	-	-	-	247,122	80,000
Printing and production	133,104	14,946	5,260	-	153,310	1,073	38,377	39,450	192,760	150,922
Depreciation and amortization	65,453	30,572	37,641	-	133,666	14,817	21,094	35,911	169,577	143,686
Postage and delivery	116,647	1,209	520	-	118,376	497	43,328	43,825	162,201	137,651
Professional development and meetings	3,583	75,251	5,018	-	83,852	67,842	6,614	74,456	158,308	57,717
Website hosting and online services	23,752	42,595	48,734	-	115,081	9,472	13,486	22,958	138,039	112,993
Legal academy	-	-	127,941	-	127,941	-	-	-	127,941	27,500
Bank fees	21,632	17,800	21,916	-	61,348	8,626	12,282	20,908	82,256	66,253
Telephone	30,350	12,836	14,305	-	57,491	9,868	9,686	19,554	77,045	52,503
National Advocacy Summit	-	73,523	-	-	73,523	-	-	-	73,523	14,475
Data processing	-	-	-	-	-	-	61,817	61,817	61,817	85,626
Advertising	24,719	6,697	8,245	-	39,661	3,246	4,621	7,867	47,528	180,421
Bad debt	-	-	-	-	-	-	40,000	40,000	40,000	-
Insurance	7,323	6,026	15,045	-	28,394	2,920	4,158	7,078	35,472	35,076
Computer and other supplies	3,322	4,815	7,952	-	16,089	13,026	5,074	18,100	34,189	33,906
Temporary help	9,700	480	18,000	-	28,180	-	5,250	5,250	33,430	15,750
Accounting/audit	7,988	6,573	8,093	-	22,654	3,186	4,535	7,721	30,375	28,950
Trustees expenses	-	-	-	27,885	27,885	-	-	-	27,885	16,202
Travel and entertainment	1,011	1,817	12,461	-	15,289	11,030	513	11,543	26,832	10,313
Other	1,846	1,519	2,128	-	5,493	735	10,029	10,764	16,257	-
Chapter reimbursements	-	15,300	-	-	15,300	-	-	-	15,300	15,500
Payroll services	3,295	2,711	3,338	-	9,344	1,314	1,871	3,185	12,529	8,736
Minor equipment	983	809	996	-	2,788	392	558	950	3,738	2,692
Utilities	555	456	562	-	1,573	221	315	536	2,109	5,682
Interest expense	279	230	283	-	792	111	158	269	1,061	944
Polling	-	-	-	-	-	-	-	-	-	115,000
<b>Total expenses</b>	<b>\$ 3,295,793</b>	<b>\$ 1,701,163</b>	<b>\$ 2,780,737</b>	<b>\$ 27,885</b>	<b>\$ 7,805,578</b>	<b>\$ 1,288,292</b>	<b>\$ 1,951,528</b>	<b>\$ 3,239,820</b>	<b>\$ 11,045,398</b>	<b>\$ 9,767,803</b>

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, 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (180,032)	\$ 7,215,922
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	169,577	143,686
Realized and unrealized (gain) loss on investments	1,942,140	(1,551,334)
Gain on disposal of property and equipment	(1,207)	-
Change in value of split interest agreements	96,343	(41,968)
Contributions restricted for long term purposes	(59,288)	(49,575)
Donated securities	(95,975)	(117,947)
Amortization of operating lease right of use assets	(116,537)	(93,441)
(Increase) decrease in operating assets:		
Bequests receivable	103,597	(4,335,149)
Interest receivable	(2,487)	(242)
Other receivables	(4,905)	(1,374)
Inventory	(10,156)	-
Prepaid expenses	7,381	(125,274)
Deposits	13,506	(20,111)
Increase (decrease) in operating liabilities:		
Accounts payable	64,230	(37,294)
Accrued expenses	66,510	(17,614)
Deferred revenue	2,500	-
Accrued pension	(790,568)	695,101
Net cash provided by operating activities	1,204,629	1,663,386
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments, including income reinvested	(5,012,758)	(2,694,816)
Proceeds from sales of investments	5,083,247	1,506,557
Purchase of property and equipment	(172,758)	(49,011)
Net cash used in investing activities	(102,269)	(1,237,270)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections of contributions restricted for long-term purposes	45,000	-
Increase in annuities payable from new gifts	-	15,181
Investment income/(loss) on annuity funds	(52,320)	29,507
Principal payments on finance lease obligations	(10,520)	(15,992)
Payments on annuities payable	(100,016)	(108,635)
Net cash provided by (used in) financing activities	(117,856)	(79,939)
Net change in cash and cash equivalents	984,504	346,177
Cash, cash equivalents, and restricted cash equivalents at beginning of year	2,663,042	2,316,865
Cash, cash equivalents, and restricted cash equivalents at end of year	\$ 3,647,546	\$ 2,663,042
Cash, cash equivalents, and restricted cash equivalents consist of the following at end of year:		
Cash and cash equivalents	\$ 3,640,064	\$ 2,654,987
Restricted cash equivalents - restricted for remainder trust	7,482	8,055
Cash, cash equivalents, and restricted cash and cash equivalents at end of year	\$ 3,647,546	\$ 2,663,042
SUPPLEMENTARY DISCLOSURES:		
Cash paid during the year for interest	\$ 1,061	\$ 944
Non-cash investing activities:		
Acquisition of property and equipment	\$ 220,362	\$ 49,011
Less: finance lease obligations	(47,604)	-
Cash paid for property and equipment	\$ 172,758	\$ 49,011

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

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022

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.

Basis of Presentation

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, 2021, from which the summarized information was derived.

Net Asset Classification

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.

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

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

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.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Nonoperating activities are limited to resources from other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition – Contributions

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, depending upon the nature of the restriction. 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.

Revenue Recognition – Trust and Foundation Grants

Grants are reported as revenue based on the terms and conditions of each specific grant agreement with the grantor. Grants that are earned based on expenditure of specific expenses are recorded as revenue when the expenses are incurred and the Organization has an unconditional right to the grant funds. Unexpended grant awards under these arrangements are classified as deferred revenue in the statement of financial position until they are earned. Grants that are received with grantor restrictions or stipulations regarding the use of the grant funds are classified as grants with donor restrictions. When a grantor restriction expires, (that is, when the restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted grants whose restrictions are met in the same year are reported as support without grantor restrictions.

Revenue Recognition - 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.

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

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

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.

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 estimates of time and effort or usage. The expenses that have been allocated based on estimates of time and effort or usage include salaries and related benefits and payroll taxes, rent, depreciation, supplies, insurance, interest, telephone and internet, and utilities.

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

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

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 with readily determinable fair values are reported at fair value in the statement of financial position. 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.

Unconditional Promises to Give

Unconditional promises to give are recorded as pledges receivable and recognized as revenue in the periods received. Unconditional promises to give in a future period are discounted to their net present value at the time the revenue is recorded. Provisions are made for uncollectible pledges based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and a review of outstanding unconditional promises to give.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises to give. The allowance for uncollectible unconditional promises to give totaled \$-0- as of September 30, 2022 and 2021.

Other Receivables

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

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.

Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

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

Contributions of Financial Assets

Donated marketable securities are reflected in the accompanying financial statements at their estimated fair market value at date of donation.

Contributions of Nonfinancial Assets

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Fair value is determined by using estimated retail pricing of identical or similar products. The amounts reflected in the accompanying financial statements included in donations are offset by like amounts included in expenses or additions to property and equipment. The Organization also may receive donated services from unpaid volunteers who assist in special projects. Donated services of volunteers are not recorded in the accompanying financial statements since they do not meet the recognition criteria.

The Organization recognized the fair value of donated legal services as revenue and expense in the amount of \$776,712 and \$1,090,057 for the years ended September 30, 2022 and 2021, respectively.

The Organization's general practice is to utilize donated materials and equipment to support the Organization's overall purpose. For years ended September 30, 2022 and 2021, the Organization received donated materials of \$894 and \$-0-, respectively, meeting the recognition criteria.

Leases

The Organization recognizes a right of use (ROU) asset and lease liability on the statement of financial position for all leases with a term of 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.

The Organization's right of use assets and lease liabilities relate to office and other personal property. Certain leases may include one or more options to renew, with renewal terms that can be extended beyond the original lease term at management's discretion. Renewal periods are included in the expected lease term if they are reasonably certain of being exercised by management. There are no leases that contain any material residual value guarantees, material restrictions or covenants.

Long-term leases (leases with terms greater than 12 months) are recorded as liabilities at the present value of the minimum lease payments not yet paid. Rates are determined and estimated based on various incremental borrowing risk-free rates when the rate implicit in the lease is not readily determinable.

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

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

Leases (Cont.)

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but expensed on a straight-line basis over the lease term.

Advertising

The Organization expenses advertising costs when incurred. Advertising expenses were \$47,528 and \$180,421 for the years ended September 30, 2022 and 2021, respectively.

New Accounting Pronouncement

On October 1, 2021, the Organization adopted Accounting Standards Update (*ASU*) 2020-07, "*Presentation and Disclosures by Not-for-Profit (NFP) Entities for Contributed Nonfinancial Assets.*" The guidance requires that a NFP 1) presents contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash and other assets and 2) discloses a disaggregation of the contributed nonfinancial assets by category with qualitative information about a) whether the contributed nonfinancial assets were monetized or utilized during the reporting period; b) the NFP's policy regarding monetization or utilization; c) a description of any donor-imposed restrictions; d) a description of valuation techniques and inputs used to arrive at fair value; and e) the principal market used to arrive at fair value if it is a market in which the NFP is prohibited by a donor imposed restriction from selling or using the contributed nonfinancial assets. The Organization has adopted *ASU 2020-07* using the retrospective method.

Accordingly, the financial statements for the year ended September 30, 2021 have been adjusted to fully conform with *ASU 2020-07*. The adoption of *ASU 2020-07* did not have any impact on the Organization's financial position, result of operations or cash flows, and therefore did not result in any prior period adjustments. The adjustments that have been made to the year ended September 30, 2021 consisted of enhanced disclosures only.

Note 2 - Concentration of Cash Balances

At September 30, 2022 and 2021, 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.

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

Note 3 - 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:	2022	2021
Cash and cash equivalents	\$ 3,647,546	\$ 2,663,042
Investments	9,155,469	11,072,123
Bequests receivable	5,086,634	5,190,231
Unconditional promises to give	63,863	49,575
Interest receivable	20,604	18,117
Other receivables	8,702	3,797
Total financial assets	17,982,818	18,996,885
Less: amounts not available to be used within one year:		
Restricted cash and cash equivalents - restricted for remainder trust	(7,482)	(8,055)
Restricted investments - restricted for remainder trust	(168,651)	(235,467)
Donor restricted funds	(65,000)	(96,365)
Total amounts not available to be used within one year	(241,133)	(339,887)
Total financial assets, net of amounts not available to be used within one year	17,741,685	18,656,998
Less: Board-designated funds	(7,614,665)	(8,990,341)
Financial assets available to meet general expenditures over the next twelve months	\$ 10,127,020	\$ 9,666,657

The Organization's goal is to establish at least three months of average recurring operating costs in available liquidity (approximately \$2,570,000). 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.



Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

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:

	2022		
	Cost	Market	Cumulative Unrealized Gain (Loss)
Corporate stocks	\$ 5,203,429	\$ 5,085,625	\$ (117,804)
Bonds	2,408,090	2,176,483	(231,607)
Exchange traded funds	667,765	586,224	(81,541)
Mutual funds	1,147,566	949,314	(198,252)
Real estate investment trusts	196,732	189,143	(7,589)
Mortgage backed assets	-	29	29
	9,623,582	8,986,818	(636,764)
Restricted investments - annuities	274,820	168,651	(106,169)
	\$ 9,898,402	\$ 9,155,469	\$ (742,933)
	2021		
	Cost	Market	Cumulative Unrealized Gain (Loss)
Corporate stocks	\$ 5,178,138	\$ 6,205,571	\$ 1,027,433
Bonds	1,731,134	1,723,599	(7,535)
Exchange traded funds	914,686	931,340	16,654
Mutual funds	1,763,895	1,744,464	(19,431)
Real estate investment trusts	197,450	231,647	34,197
Mortgage backed assets	-	35	35
	9,785,303	10,836,656	1,051,353
Restricted investments - annuities	274,820	235,467	(39,353)
	\$ 10,060,123	\$ 11,072,123	\$ 1,012,000

Realized and unrealized gain (loss) on the value of investments for the years ended September 30, 2022 and 2021 amounted to \$(1,942,140) and \$1,551,334, respectively.

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

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 ASC 820* 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 mutual funds, 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.

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

Note 5 - Fair Value Measurement (Cont.)

Liabilities classified within Level 3 have significant unobservable inputs. Level 3 assets include unconditional promises to give. Unconditional promises to give are discounted to present value using the annual mid-term annual applicable federal rate of 2.93% and 0.86% as of September 30, 2022 and 2021, respectively. 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 as of:

September 30, 2022	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investments				
Corporate stocks	\$ 5,085,625	\$ -	\$ -	\$ 5,085,625
Bonds	2,176,483	-	-	2,176,483
Exchange traded funds	586,224	-	-	586,224
Mutual funds	949,314	-	-	949,314
Real estate investment trusts	189,143	-	-	189,143
Mortgage backed assets	-	29	-	29
Restricted annuities	-	168,651	-	168,651
Total investments	8,986,789	168,680	-	9,155,469
Unconditional promises to give	-	-	63,863	63,863
Total assets	<u>\$ 8,986,789</u>	<u>\$ 168,680</u>	<u>\$ 63,863</u>	<u>\$ 9,219,332</u>
<b>Liabilities</b>				
Charitable annuities payable	\$ -	\$ -	\$ 412,983	\$ 412,983
Remainder trust payable	-	-	90,401	90,401
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 503,384</u>	<u>\$ 503,384</u>

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

Note 5 - Fair Value Measurement (Cont.)

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

September 30, 2021	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investments				
Corporate stocks	\$ 6,205,571	\$ -	\$ -	\$ 6,205,571
Bonds	1,723,599	-	-	1,723,599
Exchange traded funds	931,340	-	-	931,340
Mutual funds	1,744,464	-	-	1,744,464
Mortgage backed assets	-	35	-	35
Real estate investment trusts	231,647	-	-	231,647
Restricted annuities	-	235,467	-	235,467
Total investments	<u>10,836,621</u>	<u>235,502</u>	<u>-</u>	<u>11,072,123</u>
Unconditional promises to give	-	-	49,575	49,575
Total assets	<u>\$ 10,836,621</u>	<u>\$ 235,502</u>	<u>\$ 49,575</u>	<u>\$ 11,121,698</u>
<b>Liabilities</b>				
Charitable annuities payable	\$ -	\$ -	\$ 432,941	\$ 432,941
Remainder trust payable	-	-	126,436	126,436
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559,377</u>	<u>\$ 559,377</u>

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, 2022 and 2021 using Level 3 inputs is as follows:

	Assets	Liabilities	
	Pledges Receivable	Charitable Annuities Payable	Remainder Trust Payable
Balance as of September 30, 2020	\$ -	\$ 545,570	\$ 119,722
Contributions	50,000	15,181	-
Payments to annuitants	-	(97,394)	(11,241)
Investment gain	-	-	29,507
Actuarial adjustment	-	(30,416)	(11,552)
Present value discount adjustment	(425)	-	-
Balance as of September 30, 2021	<u>\$ 49,575</u>	<u>\$ 432,941</u>	<u>\$ 126,436</u>
Balance as of September 30, 2021	\$ 49,575	\$ 432,941	\$ 126,436
Contributions	60,000	-	-
Collections	(45,000)	-	-
Payments to annuitants	-	(84,947)	(15,069)
Investment loss	-	-	(52,320)
Actuarial adjustment	-	64,989	31,354
Present value discount adjustment	(712)	-	-
Balance as of September 30, 2022	<u>\$ 63,863</u>	<u>\$ 412,983</u>	<u>\$ 90,401</u>

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

Note 6 - Unconditional Promises to Give

Unconditional promises to give are as follows at September 30:

	2022	2021
Unconditional promises to give due in less than one year	\$ 45,000	\$ 25,000
Unconditional promises to give due in one to five years	20,000	25,000
Total unconditional promises to give	65,000	50,000
Less: present value discount	(1,137)	(425)
	\$ 63,863	\$ 49,575

Unconditional promises to give have been discounted to present value using the annual mid-term applicable federal rate of 2.93% and 0.86% as of September 30, 2022 and 2021, respectively.

Note 7 - Property and Equipment

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

	Estimated Lives	2022	2021
Land	--	\$ 2,400	\$ 2,400
Mineral rights	--	2,970	2,970
Leasehold improvements	10 years	897,076	897,076
Furniture and equipment	5-7 years	410,061	501,104
Website development	3-5 years	127,350	35,000
		1,439,857	1,438,550
Less: accumulated depreciation		(829,831)	(845,422)
Net property and equipment		\$ 610,026	\$ 593,128

Depreciation and amortization expense for the years ended September 30, 2022 and 2021 amounted to \$169,577 and \$143,686, respectively.

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

Note 8 - 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.

A plan amendment was adopted during the year ended September 30, 2022 which allowed certain participants who terminate employment before March 1, 2022 and who had not yet commenced payments under the plan the right to elect to receive, during a window period, the present value of their benefits in a single-lump sum payment. Fourteen participants elected this option.

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, 2022 and 2021 were \$340,000 and \$280,000, respectively. The Organization expects to contribute \$360,000 to the Plan during the year ended September 30, 2023. No Plan assets are expected to be returned to the Organization during the year ended September 30, 2023.

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

	2022	2021
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	\$ 6,129,705	\$ 4,890,398
Interest cost	166,982	217,000
Actuarial loss	(1,184,634)	1,230,434
Benefits paid	(1,603,191)	(208,127)
Projected benefit obligation, end of year	3,508,862	6,129,705
Change in Plan assets		
Fair value of Plan assets, beginning of year	3,832,513	3,288,307
Actual return on Plan assets	(567,084)	472,333
Employer contributions	340,000	280,000
Benefits paid	(1,603,191)	(208,127)
Fair value of Plan assets, end of year	2,002,238	3,832,513
Funded status	\$ (1,506,624)	\$ (2,297,192)

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

Note 8 - Defined Benefit Plan (Cont.)

The underlying weighted average assumption rates used to determine the benefit obligation were as follows as of September 30:

	<u>2022</u>	<u>2021</u>
Weighted average discount rate	5.37%	2.75%
Rate of compensation increase	0.00%	0.00%

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

	<u>2022</u>	<u>2021</u>
Interest cost	\$ 166,982	\$ 217,000
Expected return on Plan assets	(204,201)	(173,549)
Net amortization/deferral		
Amortization of prior service cost	767	766
Amortization of net loss	<u>252,121</u>	<u>153,276</u>
Net periodic benefit cost	<u>\$ 215,669</u>	<u>\$ 197,493</u>

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

	<u>2022</u>	<u>2021</u>
Deferred net loss on Plan assets	\$ 1,766,573	\$ 3,123,629
Deferred prior service costs	<u>766</u>	<u>1,533</u>
Net deferred cost	<u>\$ 1,767,339</u>	<u>\$ 3,125,162</u>

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, 2022 and 2021 were \$252,121 and \$153,276, respectively. The settlement loss recognized during the years ended September 30, 2022 and 2021 were \$691,586 and \$-0-, respectively.

The underlying weighted average assumption rates used to determine the net periodic benefit cost were as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Weighted average discount rate	2.75%	4.75%
Expected long-term rate of return on plan assets	5.50%	5.50%
Rate of compensation increase	0.00%	0.00%

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

Note 8 - Defined Benefit Plan (Cont.)

The investment policy is conservative, intended to preserve principal. This is accomplished by investing in select account assets managed by Fidelity during the years ended September 30, 2022 and 2021. The primary allocation of Plan assets is in stocks. The management and diversification processes are the direct responsibility of the investment manager.

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:

	2022	2021
Cash and equivalents	1%	7%
Equities	56%	53%
Fixed income	43%	40%
Alternatives	0%	0%
	100%	100%

The target is to maintain the following allocations:

	Minimum	Maximum	Preferred
Cash and equivalents	0%	100%	6%
Equities	0%	80%	80%
Fixed income	0%	100%	14%



Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

Note 8 - 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, 2022			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 18,562	\$ -	\$ -	\$ 18,562
Mutual funds - equities	1,114,833	-	-	1,114,833
Mutual funds - fixed income	868,843	-	-	868,843
Total assets	\$ 2,002,238	\$ -	\$ -	\$ 2,002,238

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 250,386	\$ -	\$ -	\$ 250,386
Mutual funds - equities	2,040,401	-	-	2,040,401
Mutual funds - fixed income	1,541,726	-	-	1,541,726
Total assets	\$ 3,832,513	\$ -	\$ -	\$ 3,832,513

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

2023	\$ 241,602
2024	263,705
2025	258,349
2026	252,627
2027	246,526
2028 - 2032	1,281,410
	\$ 2,544,219

Americans United for Separation of Church and State  
 NOTES TO FINANCIAL STATEMENTS (Cont.)  
 September 30, 2022

Note 9 - 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. Employer retirement plan expense related to the 401(k) contribution plan for the years ended September 30, 2022 and 2021 was \$128,713 and \$107,527, respectively and is included in employee benefits in the accompanying detail schedule of expenses.

Note 10 - 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, 2022 and 2021 was \$219,561 and \$223,379, respectively. The balance is included in accrued expenses on the statement of financial position.

Note 11 - 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, 2022 and 2021 totaled \$7,614,665 and \$8,990,341, respectively.

Note 12 - Net Assets with Donor Restrictions

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

	2022	2021
Hames Remainder Trust (Note 15)	\$ 85,732	\$ 117,087
Legal fund promise to give	25,000	96,365
Operating support promise to give	40,000	-
	\$ 150,732	\$ 213,452

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

Note 13 - 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 an increase/(decrease) of \$(64,989) and \$30,416 for the years ended September 30, 2022 and 2021, respectively.

Based on donor life expectancies and the use of discount rates ranging from 0.6% 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 is estimated to be \$412,983, which is recorded as a current liability of \$87,590 and a long term liability of \$325,393 in the statement of financial position as of September 30, 2022. As of September 30, 2021, the present value of future obligations expected to be paid by the Organization was estimated to be \$432,941, which was recorded as a current liability of \$91,650 and a long term liability of \$341,291. Net contribution revenues recognized under these agreements were \$5,643 and \$14,458 for the years ended September 30, 2022 and 2021, respectively.

Note 14 - Allocation of Joint Costs

During the year ended September 30, 2022, the Organization incurred joint costs of \$1,671,592 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, \$332,059 was allocated to fundraising expense, \$877,843 was allocated to the educational and publication division, and \$461,690 was allocated to management and general. In the prior year ended September 30, 2021, the Organization incurred joint costs of \$1,000,512 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, \$299,527 was allocated to fundraising expense, \$557,857 was allocated to the educational and publication division, and \$143,128 was allocated to management and general.

Note 15 - 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 \$176,133 and \$243,522 at September 30, 2022 and 2021, 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 \$90,401 and \$126,436 at September 30, 2022 and 2021, respectively and is calculated using a discount rate of 6% and applicable mortality tables.

Americans United for Separation of Church and State  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
September 30, 2022

Note 16 - Commitments

In September 2019, the Organization entered into a two-year consultant agreement with Eidolon Communications, Inc. commencing October 1, 2019 and terminating on September 30, 2021. Eidolon Communications, Inc. provides fundraising consulting services with respect to the Organization's direct response program, which includes performing ongoing campaign management and supervision services. Eidolon Communications, Inc. received a monthly retainer fee of \$14,000 for services performed, plus additional compensation for other services performed as stated in the agreement. In August 2021 this contract was extended through September 2023 at a monthly retainer of \$16,000. For the year ended September 30, 2022 and 2021, the consulting fees incurred by the Organization amounted to \$192,000 and \$168,000, respectively.

In July 2021, the Organization entered into a 27 month marketing agreement with FreeWill Co. which terminated on September 30, 2023. FreeWill Co. receives \$55,216 over the term of this agreement. Additionally, in December 2021, the Organization entered into a separate marketing agreement with FreeWill Co. with a one year initial term of \$81,250. With this second agreement the Organization has the option to extend the contract for an additional nine months at a cost of \$56,250, and an additional option to extend the contract for an additional one year beyond that at a cost of \$150,000 concluding September 30, 2024. For the year ended September 30, 2022 and 2021, the marketing fees incurred by the Organization amounted to \$99,901 and \$9,500, respectively.

Note 17 - 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 five 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 at September 30, 2022 and 2021 amounted to \$2,015,847 and \$2,407,116, respectively. The operating lease liability at September 30, 2022 and 2021 amounted to \$2,858,172 and \$3,365,978, respectively.

The weighted average remaining lease term for the operating lease at September 30, 2022 and 2021 was 73 months and 85 months, respectively. The weighted average discount rate for the operating lease at September 30, 2022 and 2021 was 3.75%.

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Note 17 - Operating Lease (Cont.)

The cost of the lease is allocated over the lease term on a straight-line basis. Lease expense for the year ended September 30, 2022 and 2021 amounted to \$494,145 and \$493,063, respectively.

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

<u>Year Ending September 30:</u>	
2022	\$ 603,549
2023	618,658
2024	634,142
2025	649,971
2026	666,233
Thereafter	<u>55,861</u>
Total	3,228,414
Less: present value discount	<u>(370,242)</u>
Lease liability	<u>\$ 2,858,172</u>

Note 18 - Finance Leases

The Organization leases equipment under agreements that have been accounted for as finance leases. The leases expire from July 2024 to April 2027. 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 3.5% to 6.0%. The capitalized cost of the leased equipment amounted to \$58,443 and \$76,872 as of September 30, 2022 and 2021. At September 30, 2022 and 2021, the book value of the equipment was \$45,861 and \$10,767, respectively.

Amortization expense attributable to the equipment amounted to \$12,512 and \$15,271 for the years ended September 30, 2022 and 2021, respectively, and is included in depreciation expense.

Interest expense incurred on the leases amounted to \$1,061 and \$944 during the years ended September 30, 2022 and 2021, respectively.

The weighted average remaining lease term for finance leases as of September 30, 2022 and 2021 amounted to 4.34 years and 1.94 years, respectively.

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Note 18 - Finance Leases (Cont.)

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

<u>Year Ending September 30:</u>	
2023	\$ 12,809
2024	12,809
2025	10,598
2026	10,397
2027	<u>6,065</u>
Total undiscounted cash flows	52,678
Less: present value discount	<u>(4,017)</u>
Total finance lease obligations (including current portion of \$11,183)	<u><u>\$ 48,661</u></u>

Note 19 - Subsequent Events

The Organization has evaluated the impact of significant subsequent events. There have been no subsequent events through April 21, 2023, which is the date the Organization's financial statements were available to be issued, that require recognition or disclosure.