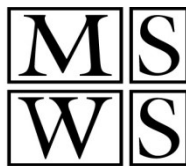


**AMERICANS UNITED FOR SEPARATION
OF CHURCH AND STATE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

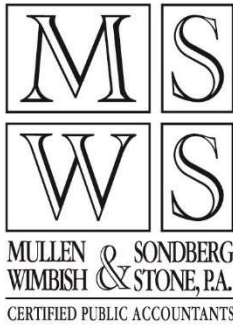


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, 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 20, 2021

Americans United for Separation of Church and State
STATEMENT OF FINANCIAL POSITION
September 30, 2020

ASSETS		
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,310,015	\$ 1,010,423
Investments	7,996,176	8,525,948
Bequests receivable	855,082	2,770,019
Interest receivable	17,875	32,182
Other receivables	2,423	2,244
Prepaid expenses	129,210	89,569
Deposits	15,632	23,774
Total current assets	11,326,413	12,454,159
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	672,531	781,245
OTHER ASSETS		
Cash equivalents - restricted for remainder trust	6,850	7,311
Investments - restricted for remainder trust	218,407	226,134
Deposits	85,505	85,505
Finance lease right of use assets, net of accumulated amortization	26,039	41,310
Operating lease right of use asset	3,791,598	4,179,348
Total other assets	4,128,399	4,539,608
Total assets	\$ 16,127,343	\$ 17,775,012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 136,987	\$ 103,610
Accrued expenses	481,748	433,986
Deferred rent	93,441	79,693
Finance lease obligations	15,992	15,355
Charitable annuities payable	121,170	131,095
Operating lease liability	562,835	549,087
Total current liabilities	1,412,173	1,312,826
LONG-TERM LIABILITIES		
Deferred rent	958,862	1,053,061
Finance lease obligations	11,577	27,569
Charitable annuities payable	424,400	458,847
Remainder trust payable	119,722	125,434
Accrued pension	1,602,091	828,601
Operating lease liability	3,228,763	3,630,261
Total long-term liabilities	6,345,415	6,123,773
Total liabilities	7,757,588	7,436,599
NET ASSETS		
Without donor restrictions	836,019	2,290,668
Without donor restrictions - Board-designated	7,428,201	7,939,733
With donor restrictions	105,535	108,012
Total net assets	8,369,755	10,338,413
Total liabilities and net assets	\$ 16,127,343	\$ 17,775,012

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, 2020
With Summarized Financial Information for the Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 5,381,546	\$ -	\$ 5,381,546	\$ 4,313,467
Bequests	1,318,518	-	1,318,518	3,143,772
Donated services	1,048,432	-	1,048,432	2,665,012
Trust and foundation grants	590,805	-	590,805	697,946
Legal settlement	409,950	-	409,950	300,797
Investment income, net of expenses	313,434	-	313,434	409,008
National Advocacy Summit	49,881	-	49,881	-
Other revenue	24,360	-	24,360	11,026
Gift annuity income	23,145	-	23,145	11,196
Contributions - chapters	14,254	-	14,254	17,639
Contributions - local churches	2,605	-	2,605	2,685
Sales of literature	1,254	-	1,254	2,433
Change in value of split interest agreements	(49,636)	(2,477)	(52,113)	(76,964)
Realized and unrealized loss on investments	(1,049,437)	-	(1,049,437)	(80,176)
Total revenues, gains, and other support	8,079,111	(2,477)	8,076,634	11,417,841
EXPENSES				
Program services				
Educational and publication division	2,391,503	-	2,391,503	2,160,203
Field services division	1,649,840	-	1,649,840	1,378,131
Legal division	2,582,994	-	2,582,994	4,310,079
Trustees and national advisory council meetings	15,335	-	15,335	68,670
Total program services	6,639,672	-	6,639,672	7,917,083
Supporting services				
Management and general	849,581	-	849,581	815,484
Fundraising	1,638,082	-	1,638,082	1,443,094
Total supporting services	2,487,663	-	2,487,663	2,258,578
Total expenses	9,127,335	-	9,127,335	10,175,661
Change in net assets before other items	(1,048,224)	(2,477)	(1,050,701)	1,242,180
OTHER ITEMS				
Minimum pension liability adjustment	(917,957)	-	(917,957)	32,158
Change in net assets	(1,966,181)	(2,477)	(1,968,658)	1,274,338
NET ASSETS AT BEGINNING OF YEAR	10,230,401	108,012	10,338,413	9,064,075
NET ASSETS AT END OF YEAR	\$ 8,264,220	\$ 105,535	\$ 8,369,755	\$ 10,338,413

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, 2020
With Summarized Financial Information for the Year Ended September 30, 2019

	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	2020	2019
Salaries	\$ 936,993	\$ 903,032	\$ 870,451	\$ -	\$ 2,710,476	\$ 387,134	\$ 392,823	\$ 779,957	\$ 3,490,433	\$ 3,027,957
Employee benefits/payroll taxes	260,242	257,168	267,208	-	784,618	143,562	85,559	229,121	1,013,739	1,044,727
Direct mail	530,425	-	-	-	530,425	152,381	429,349	581,730	1,112,155	1,055,279
Donated services	-	-	1,048,432	-	1,048,432	-	-	-	1,048,432	2,665,012
Office rent/lease expense	131,203	126,447	121,885	-	379,535	54,209	55,005	109,214	488,749	492,224
Professional fees	-	-	4,226	-	4,226	-	296,113	296,113	300,339	334,514
Consulting fees	33,818	32,592	31,417	-	97,827	13,973	153,739	167,712	265,539	322,785
Printing and production	128,896	7,482	10,954	-	147,332	1,251	40,902	42,153	189,485	181,613
Postage and delivery	114,764	458	254	-	115,476	1,307	40,938	42,245	157,721	146,584
Depreciation and amortization	48,703	36,631	35,309	-	120,643	15,703	15,935	31,638	152,281	150,637
Advertising	78,391	23,641	22,788	-	124,820	10,135	10,284	20,419	145,239	49,376
Dues and subscriptions	29,701	30,875	42,653	-	103,229	6,153	6,076	12,229	115,458	90,965
Website hosting and online services	22,099	21,298	48,529	-	91,926	9,130	9,265	18,395	110,321	103,248
Professional development and meetings	8,479	51,289	9,248	-	69,016	11,205	6,627	17,832	86,848	76,673
Bank fees	21,886	20,162	14,385	-	56,433	7,239	11,975	19,214	75,647	75,002
National Advocacy Summit	-	62,410	-	-	62,410	-	-	-	62,410	-
Data processing	-	-	-	-	-	-	53,189	53,189	53,189	43,154
Travel and entertainment	3,853	7,959	15,289	-	27,101	10,292	3,173	13,465	40,566	75,024
Computer and other supplies	5,364	7,321	6,122	-	18,807	11,211	6,373	17,584	36,391	32,891
Insurance	7,047	6,792	14,249	-	28,088	2,912	2,954	5,866	33,954	32,025
Chapter reimbursements	-	28,300	-	-	28,300	-	-	-	28,300	18,100
Accounting/audit	7,522	7,249	6,988	-	21,759	3,108	3,153	6,261	28,020	27,345
Telephone	6,131	7,187	5,193	-	18,511	6,134	2,071	8,205	26,716	34,435
Other	3,171	3,871	3,871	-	10,913	966	6,479	7,445	18,358	24,976
Temporary help	9,000	4,000	-	-	13,000	-	4,500	4,500	17,500	14,000
Trustees expenses	-	-	-	15,335	15,335	-	-	-	15,335	68,670
Payroll services	2,070	1,995	1,923	-	5,988	855	868	1,723	7,711	7,280
Minor equipment	775	747	720	-	2,242	320	325	645	2,887	2,803
Utilities	545	525	506	-	1,576	226	229	455	2,031	2,898
Interest expense	425	409	394	-	1,228	175	178	353	1,581	1,667
Polling	-	-	-	-	-	-	-	-	-	117,500
Total expenses	\$ 2,391,503	\$ 1,649,840	\$ 2,582,994	\$ 15,335	\$ 6,639,672	\$ 849,581	\$ 1,638,082	\$ 2,487,663	\$ 9,127,335	\$ 10,319,364

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, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,968,658)	\$ 1,274,338
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	152,281	150,637
Realized and unrealized loss on investments	1,049,437	80,176
Change in value of split interest agreements	52,113	76,964
Donated securities	(128,629)	(44,384)
(Increase) decrease in operating assets:		
Bequests receivable	1,914,937	(2,394,842)
Interest receivable	14,307	8,652
Other receivables	(179)	(1,673)
Inventory	-	513
Prepaid expenses	(39,641)	(12,533)
Deposits	8,142	(12,494)
Increase (decrease) in operating liabilities:		
Accounts payable	33,377	(46,308)
Accrued expenses	47,762	119,467
Deferred rent	(80,451)	(66,291)
Accrued pension	773,490	(175,861)
Net cash provided by (used in) operating activities	1,828,288	(1,043,639)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments, including income reinvested	(2,789,281)	(5,761,581)
Proceeds from sales of investments	2,405,972	7,416,140
Purchase of property and equipment	(28,296)	(41,336)
Net cash provided by (used in) investing activities	(411,605)	1,613,223
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in annuities payable from new gifts	27,655	13,804
Investment income (loss) on annuity funds	378	(9,531)
Principal payments on finance lease obligations	(15,355)	(15,528)
Payments on annuities payable	(130,230)	(141,957)
Net cash used in financing activities	(117,552)	(153,212)
Net change in cash and cash equivalents	1,299,131	416,372
Cash, cash equivalents, and restricted cash equivalents at beginning of year	1,017,734	601,362
Cash, cash equivalents, and restricted cash equivalents at end of year	\$ 2,316,865	\$ 1,017,734
Cash, cash equivalents, and restricted cash equivalents consist of the following at end of year:		
Cash and cash equivalents	\$ 2,310,015	\$ 1,010,423
Restricted cash equivalents - restricted for remainder trust	6,850	7,311
Cash, cash equivalents, and restricted cash and cash equivalents at end of year	\$ 2,316,865	\$ 1,017,734
SUPPLEMENTARY DISCLOSURES:		
Noncash investing and financing activities		
Purchase of property and equipment	\$ 28,296	\$ 52,174
Less amount financed	-	(10,838)
Net cash paid for property and equipment	\$ 28,296	\$ 41,336
Cash paid during the year for interest	\$ 1,581	\$ 1,667

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, 2020

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, 2019, 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.

Americans United for Separation of Church and State
NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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

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. 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 – 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.

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.

Americans United for Separation of Church and State
NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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

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, 2017 remain subject to examination by federal and state authorities.

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.

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.

Americans United for Separation of Church and State
NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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 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.

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.

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.

Non-Cash Donations

Donated markable securities and other non-cash donations are reflected in the accompanying financial statements at their estimated fair market value at date of donation.

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 \$1,048,432 and \$2,665,012 for the years ended September 30, 2020 and 2019, respectively.

Americans United for Separation of Church and State
NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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

Advertising

The Organization expenses advertising costs when incurred. Advertising expenses were \$145,239 and \$49,376 for the years ended September 30, 2020 and 2019, respectively.

New Accounting Pronouncement

On October 1, 2019, the Organization adopted *ASU 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made."* This standard provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. *ASU 2018-08* has been applied retrospectively to all periods presented. The adoption of *ASU 2018-08* did not have any impact on the Organization's financial position, results of operations, or cash flows.

Note 2 - Concentration of Cash Balances

At September 30, 2020 and 2019, 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, 2020 and 2019 were approximately \$13,000 and \$150,000, respectively.

Americans United for Separation of Church and State
NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,316,865	\$ 1,017,734
Investments	8,214,583	8,752,082
Bequests receivable	855,082	2,770,019
Interest receivable	17,875	32,182
Other receivables	<u>2,423</u>	<u>2,244</u>
Total financial assets	11,406,828	12,574,261
Less amounts not available to be used within one year:		
Restricted cash and cash equivalents - restricted for remainder trust	(6,850)	(7,311)
Restricted investments - restricted for remainder trust	<u>(218,407)</u>	<u>(226,134)</u>
Net amounts not available to be used within one year	<u>11,181,571</u>	<u>12,340,816</u>
Less: Board-designated funds	<u>(7,428,201)</u>	<u>(7,939,733)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,753,370</u>	<u>\$ 4,401,083</u>

The Organization's goal is to establish at least three months of average recurring operating costs in available liquidity (approximately \$2,056,000). 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, 2020

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:

	2020		
	Cost	Market	Cumulative Unrealized Gain (Loss)
Corporate stocks	\$ 5,824,462	\$ 5,034,221	\$ (790,241)
Bonds	1,782,948	1,819,454	36,506
Preferred stocks	665,508	672,052	6,544
Exchange traded funds	396,304	462,074	65,770
Mutual funds	1,838	8,334	6,496
Mortgage backed assets	-	41	41
	8,671,060	7,996,176	(674,884)
Restricted investments - annuities	274,820	218,407	(56,413)
	\$ 8,945,880	\$ 8,214,583	\$ (731,297)
	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)

Realized and unrealized loss on the value of investments for the years ended September 30, 2020 and 2019 amounted to \$(1,049,437) and \$(80,176), respectively.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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 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.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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, 2020	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Corporate stocks	\$ 5,034,221	\$ -	\$ -	\$ 5,034,221
Bonds	1,819,454	-	-	1,819,454
Perferred stocks	672,052	-	-	672,052
Exchange traded funds	462,074	-	-	462,074
Mutual funds	8,334	-	-	8,334
Mortgage backed assets	-	41	-	41
Restricted annuities	-	218,407	-	218,407
Total investments	<u>\$ 7,996,135</u>	<u>\$ 218,448</u>	<u>\$ -</u>	<u>\$ 8,214,583</u>
Liabilities				
Charitable annuities payable	\$ -	\$ -	\$ 545,570	\$ 545,570
Remainder trust payable	-	-	119,722	119,722
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 665,292</u>	<u>\$ 665,292</u>
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	<u>8,525,869</u>	<u>226,213</u>	<u>-</u>	<u>8,752,082</u>
Liabilities				
Charitable annuities payable	\$ -	\$ -	\$ 589,942	\$ 589,942
Remainder trust payable	-	-	125,434	125,434
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 715,376</u>	<u>\$ 715,376</u>

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NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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, 2020 and 2019 using Level 3 inputs is as follows:

	Liabilities	
	Charitable Annuities Payable	Remainder Trust Payable
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
	\$ 589,942	\$ 125,434
Balance as of September 30, 2019	\$ 589,942	\$ 125,434
Investment gain	-	378
Contributions	27,655	-
Payments to annuitants	(121,663)	(8,567)
Actuarial adjustment	49,636	2,477
	\$ 545,570	\$ 119,722

Note 6 - Property and Equipment

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

	Estimated Lives	2020	2019
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	452,092	423,797
Website development	3-5 years	35,000	35,000
		1,389,538	1,361,243
Less accumulated depreciation		(717,007)	(579,998)
Net property and equipment		\$ 672,531	\$ 781,245

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NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

Note 6 - Property and Equipment (Cont.)

Depreciation and amortization expense for the years ended September 30, 2020 and 2019 amounted to \$152,281 and \$150,637, 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, 2020 and 2019 were \$240,000 and \$250,000, respectively. The Organization expects to contribute \$272,000 to the Plan during the year ended September 30, 2021. 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:

	<u>2020</u>	<u>2019</u>
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	\$ 4,334,215	\$ 4,306,254
Interest cost	231,812	231,123
Actuarial loss	532,498	4,538
Benefits paid	<u>(208,127)</u>	<u>(207,700)</u>
Projected benefit obligation, end of year	<u>4,890,398</u>	<u>4,334,215</u>
Change in Plan assets		
Fair value of Plan assets, beginning of year	3,505,614	3,301,792
Actual return on Plan assets	(249,180)	161,522
Employer contributions	240,000	250,000
Benefits paid	<u>(208,127)</u>	<u>(207,700)</u>
Fair value of Plan assets, end of year	<u>3,288,307</u>	<u>3,505,614</u>
Funded status	<u>\$ (1,602,091)</u>	<u>\$ (828,601)</u>

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NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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:

	2020	2019
Interest cost	\$ 231,812	\$ 231,123
Expected return on Plan assets	(187,085)	(175,878)
Net amortization/deferral		
Amortization of prior service cost	767	768
Amortization of net loss	50,039	50,284
Net periodic benefit cost	\$ 95,533	\$ 106,297

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

	2020	2019
Deferred net loss on Plan assets	\$ 2,345,255	\$ 1,426,531
Deferred prior service costs	2,299	3,066
Net deferred cost	\$ 2,347,554	\$ 1,429,597

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, 2020 and 2019 were \$50,039 and \$50,284 respectively.

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

	2020	2019
Weighted average discount rate	4.75%	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 during the years ended September 30, 2020 and 2019. The primary allocation of Plan assets is in stocks. The management and diversification processes are the direct responsibility of the investment manager.

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 NOTES TO FINANCIAL STATEMENTS (Cont.)
 September 30, 2020

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:

	2020	2019
Cash and equivalents	12%	8%
Equities	56%	70%
Fixed income	29%	22%
Alternatives	3%	0%
	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%	25%

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NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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, 2020			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 383,261	\$ -	\$ -	\$ 383,261
Corporate stocks	1,788,363	-	-	1,788,363
Preferred stocks	345,845	-	-	345,845
Exchange traded funds	164,400	-	-	164,400
Corporate bonds	606,438	-	-	606,438
	<u>\$ 3,288,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,288,307</u>

	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
	<u>\$ 3,505,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,505,614</u>

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

2021	\$ 265,754
2022	280,877
2023	276,446
2024	293,693
2025	297,495
2026-2030	<u>1,500,396</u>
	<u>\$ 2,914,661</u>

Americans United for Separation of Church and State
NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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, 2020 and 2019 was \$109,403 and \$93,204, 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, 2020 and 2019 was \$239,930 and \$250,586, 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, 2020 and 2019 totaled \$7,428,201 and \$7,939,733, respectively.

Note 11 - Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Hames Remainder Trust (Note 14)	<u>\$ 105,535</u>	<u>\$ 108,012</u>

Americans United for Separation of Church and State
NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

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 decrease of \$49,636 and \$70,232 for the years ended September 30, 2020 and 2019, respectively.

Based on donor life expectancies and the use of discount rates ranging from .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 and is estimated to be \$545,570, which is recorded as a current liability of \$121,170 and a long term liability of \$424,400 in the statement of financial position as of September 30, 2020. As of September 30, 2019, the present value of future obligations expected to be paid by the Organization was estimated to be \$589,942, which was recorded as a current liability of \$131,095 and a long term liability of \$458,847. Net contribution revenues recognized under these agreements were \$23,145 and \$11,196 for the years ended September 30, 2020 and 2019, respectively.

Note 13 - Allocation of Joint Costs

During the year ended September 30, 2020, the Organization incurred joint costs of \$1,112,155 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, \$429,349 was allocated to fundraising expense, \$530,425 was allocated to the educational and publication division, and \$152,381 was allocated to management and general. In the prior 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.

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 \$225,257 and \$233,445 at September 30, 2020 and 2019, 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 \$119,722 and \$125,434 at September 30, 2020 and 2019, 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, 2020

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, 2020 and 2019, the consulting fees incurred by the Organization amounted to \$9,500 and \$114,000, respectively.

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. receives a monthly retainer fee of \$14,000 for services performed, plus additional compensation for other services performed as stated in the agreement. For the year ended September 30, 2020, the consulting fees incurred by the Organization amounted to \$154,000.

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 \$3,791,598 and \$4,179,348, 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, 2020 and 2019 amounted to \$488,748 and \$492,224, respectively.

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 NOTES TO FINANCIAL STATEMENTS (Cont.)
 September 30, 2020

Note 16 - Operating Lease (Cont.)

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

<u>Year Ending September 30:</u>	
2021	\$ 562,835
2022	585,931
2023	603,549
2024	618,658
2025	634,142
Thereafter	<u>1,372,064</u>
Total	4,377,179
Less: present value discount	<u>(585,581)</u>
Lease liability	<u>\$ 3,791,598</u>

Total rent expense for the years ended September 30, 2020 and 2019 was \$488,748 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 \$76,872 as of September 30, 2020 and 2019. At September 30, 2020 and 2019, the book value of the equipment was \$26,039 and \$41,310, respectively.

Amortization expense attributable to the equipment amounted to \$15,271 and \$15,517 for the years ended September 30, 2020 and 2019, respectively, and is included in depreciation expense.

Interest expense incurred on the leases amounted to \$1,581 and \$1,667 during the years ended September 30, 2020 and 2019, respectively.

The weighted average remaining lease term for finance leases as of September 30, 2020 and 2019 amounted to 2.20 years and 3.01 years, respectively.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
September 30, 2020

Note 17 - Finance Leases (Cont.)

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

<u>Year Ending September 30:</u>	
2021	\$ 16,937
2022	7,257
2023	2,412
2024	2,412
2025	<u>200</u>
Total future minimum lease payments	29,218
Less amount representing interest	<u>(1,649)</u>
Present value of future minimum payments (including current portion of \$15,992)	<u><u>\$ 27,569</u></u>

Note 18 - Subsequent Events

The Organization has evaluated the impact of significant subsequent events. There have been no subsequent events through April 20, 2021, which is the date the Organization's financial statements were available to be issued, that require recognition or disclosure.