Americans United for Life, Inc.

Financial Statements as of and for the
Year Ended June 30, 2014, with Comparative Totals for 2013, and
Independent Auditors' Report

DHG
DIXON HUGHES GOODMAN LLP

Americans United for Life, Inc.

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Independent Auditors' Report

Board of Directors
Americans United for Life, Inc.

We have audited the accompanying financial statements of ***Americans United for Life, Inc.***, which comprise the statement of financial position as of June 30, 2014, 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.

Auditors' 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Americans United for Life, Inc.*** as of June 30, 2014, 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.

DIXON HUGHES GOODMAN LLP

Report on Summarized Comparative Information

We have previously audited ***Americans United for Life, Inc.'s*** 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived. The consolidated financial statements of ***Americans United for Life, Inc*****.** (Parent Organization) and its affiliate have been issued to its Board of Directors as the financial statements of the primary reporting entity.

Dixon Hughes Goodman LLP

Tysons, Virginia
June 8, 2015

Americans United for Life, Inc.

Statements of Financial Position

June 30,		2014		2013
Assets				
Current assets				
Cash	$	287,297	$	784,182
Certificates of deposit		-		124,945
Contributions receivable		297,636		213,505
Grants receivable		-		563,707
Interest receivable		3,541		2,602
Investments		5,524		-
Due from related party		-		223,990
Prepaid expenses		101,524		87,038
Total current assets		695,522		1,999,969
Property and equipment - net		37,471		46,074
Other assets				
Note receivable - related party		347,558		123,568
Deposits		46,975		40,357
	$	1,127,526	$	2,209,968
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	$	304,160	$	309,091
Non-current liabilities				
Deferred rent		7,224		-
Total liabilities		311,384		309,091
Net assets				
Unrestricted		771,425		1,856,160
Temporarily restricted		44,717		44,717
Total net assets		816,142		1,900,877
	$	1,127,526	$	2,209,968

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

Americans United for Life, Inc.

Statements of Activities

Year Ended June 30, 2014, with Comparative Totals for 2013

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
Revenue, support and other changes				
Contributions and grants	$ 2,751,543	$ -	$ 2,751,543	$ 4,523,652
In-kind contributions	2,178	-	2,178	1,919
Interest income	-	-	-	3,402
Net realized and unrealized gains (losses) on investments	(3)	-	(3)	76
Other revenue	2,460	-	2,460	1,124
Total revenue, support and other changes	2,756,178	-	2,756,178	4,530,173
Expenses				
Program services:				
Litigation and legal affairs	1,590,400	-	1,590,400	1,569,266
Public affairs and education	767,624	-	767,624	1,001,524
Government affairs and education	371,792	-	371,792	497,752
Total program services	2,729,816	-	2,729,816	3,068,542
Supporting services:				
Management and general	169,519	-	169,519	241,609
Development and fundraising	941,578	-	941,578	619,072
Total supporting services	1,111,097	-	1,111,097	860,681
Total expenses	3,840,913	-	3,840,913	3,929,223
Change in net assets	(1,084,735)	-	(1,084,735)	600,950
Net assets - beginning of year	1,856,160	44,717	1,900,877	1,299,927
Net assets - end of year	$ 771,425	$ 44,717	$ 816,142	$ 1,900,877

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

Americans United for Life, Inc.

Statements of Functional Expenses

Year Ended June 30, 2014, with Comparative Totals for 2013

	Program Services				Supporting Services				
	Litigation and Legal Affairs	Public Affairs and Education	Government Affairs and Education	Total	Management and General	Development and Fundraising	Total	2014 Total	2013 Total
Salaries	$ 967,170	$ 344,056	$ 177,687	$ 1,488,913	$ 61,278	$ 137,909	$ 199,187	$ 1,688,100	$ 1,566,062
Officer and employee benefits	146,346	61,417	28,690	236,453	10,409	20,302	30,711	267,164	191,124
Payroll taxes	74,188	26,314	13,950	114,452	6,124	10,839	16,963	131,415	117,423
Temporary help	12,757	9,479	1,545	23,781	998	7,136	8,134	31,915	315,362
Professional fees	95,366	158,099	39,155	292,620	32,973	55,264	88,237	380,857	185,706
Occupancy	65,930	40,520	19,507	125,957	12,021	11,571	23,592	149,549	263,215
Telecommunications	26,608	14,639	9,533	50,780	4,115	4,323	8,438	59,218	71,627
Office expense	72,789	30,380	15,340	118,509	13,590	18,505	32,095	150,604	238,848
Postage and shipping	6,635	4,072	2,513	13,220	1,207	10,222	11,429	24,649	26,176
Insurance	10,698	6,564	3,161	20,423	1,945	1,945	3,890	24,313	32,570
Meetings and travel	40,070	21,954	22,239	84,263	806	41,613	42,419	126,682	162,332
Research	26,736	3,443	19,647	49,826	-	5,251	5,251	55,077	47,062
Publications	27,776	1,163	717	29,656	1,097	-	1,097	30,753	85,678
Direct mail	-	9,490	-	9,490	-	478,997	478,997	488,487	228,036
Advertising	11,478	32,443	16,379	60,300	21,892	136,637	158,529	218,829	365,414
State networks	-	-	-	-	-	-	-	-	15,500
Depreciation	5,853	3,591	1,729	11,173	1,064	1,064	2,128	13,301	17,088
	$ 1,590,400	$ 767,624	$ 371,792	$ 2,729,816	$ 169,519	$ 941,578	$ 1,111,097	$ 3,840,913	$ 3,929,223

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

Americans United for Life, Inc.

Statements of Cash Flows

Years Ended June 30,	**2014**	**2013**
Cash flows from operating activities		
Change in net assets	$ (1,084,735)	$ 600,950
Adjustments to reconcile to net cash from operating activities:		
Depreciation	13,301	17,088
Net realized and unrealized (gains) losses on investments	3	(76)
Change in:		
Contributions receivable	(84,131)	78,680
Grants receivable	563,707	(563,707)
Interest receivable	(939)	(1,017)
Due from related party	-	(114,671)
Prepaid expenses	(14,486)	(47,748)
Deposits	(6,618)	-
Accounts payable and accrued expenses	(4,931)	(90,840)
Deferred revenue	-	(389,329)
Deferred rent	7,224	-
Net cash from operating activities	(611,605)	(510,670)
Cash flows from investing activities		
Redemption of certificates of deposit	124,945	1,025,961
Property and equipment acquisitions	(4,698)	(35,478)
Acquisitions of investments	(5,527)	-
Net cash from investing activities	114,720	990,483
Net change in cash	(496,885)	479,813
Cash - beginning of year	784,182	304,369
Cash - end of year	$ 287,297	$ 784,182
Supplemental disclosure of noncash investing activities		
Related party receivable converted to note receivable	$ (223,990)	$ -

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

June 30, 2014

1. Organization and Nature of Activities

Americans United for Life, Inc. (Organization) is a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is a national public interest law and educational foundation, organized in Illinois in 1972 for the purpose of defending human right to life from conception to natural death.

The Board of Directors is composed of nine members as elected by the Board of Directors.

The accompanying financial statements are those of ***Americans United for Life, Inc.*** only, and are not those of the primary reporting entity. The consolidated financial statements of ***Americans United for Life, Inc.*** (Parent Organization) and its affiliate have been issued to its Board of Directors as the financial statements of the primary reporting entity.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization classifies its resources for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions. A description of the three net asset categories is as follows:

Unrestricted - Unrestricted net assets include undesignated net assets. Undesignated net assets consist of revenues and expenses associated with the principle mission of the Organization, which are not restricted by donor stipulations, including contributions, fundraising, grants and interest revenue.

Temporarily restricted - Temporarily restricted net assets include grants or gifts for which donor imposed restrictions have not been met. When such stipulations have been met, the net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The temporarily restricted net asset class accounts for revenues related to contributions restricted by donors or grantors to be applied in the operation of specific programs or in specific time periods.

Permanently restricted - Permanently restricted net assets include gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restriction. At June 30, 2014, the Organization had no permanently restricted net assets.

Contributions Receivable

Contributions receivable are reported at their outstanding balances and consist of contributions collected but not received from the Organization's professional fundraisers. Management periodically evaluates the collectibility of contributions receivable by considering the Organization's past receivables loss experience, known and inherent risks in the contributions receivable population, adverse situations that may affect a client's ability to pay, and current economic conditions. Contributions receivable are charged off based on management's case-by-case determination that they are uncollectible. Management believes all significant contributions receivable are collectible and, therefore, no allowance for doubtful accounts has been established at June 30, 2014.

Investments

The Organization reports its investments in equity securities at fair value in the statement of financial position. Unrealized gains or losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment

Furniture and equipment are stated at cost and depreciated using the straight-line method over estimated useful lives ranging from 5 to 7 years.

Expenditures for additions, improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. It is the Organization's policy to capitalize assets purchased with a cost in excess of $1,000.

Deferred Revenue and Revenue Recognition

Revenue received in advance of the period in which it is earned is deferred to subsequent periods. Deferred revenue is comprised primarily of grant revenue received for which certain conditions apply. Grant revenue is recorded as revenue in the period in which the applicable conditions are satisfied.

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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as they are incurred. Advertising expense was $218,829 for 2014.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash invested at a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2014, the Organization's cash balances did not exceed the federally insured limit. The Organization has not experienced any losses as a result of the concentration, and management believes it is not exposed to any significant credit risk.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2014. Fiscal years ending on or after June 30, 2011 remain subject to examination by federal and state tax authorities.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total, and do not provide a statement of functional expenses for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential disclosure or recognition through June 8, 2015, the date the financial statements were available to be issued.

3. Property and Equipment

The following table summarizes the major classes of property and equipment:

	2014
Furniture and equipment	$ 78,763
Less – accumulated depreciation	(60,792)
	$ 37,471

Depreciation expense was $13,301 for 2014.

4. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of input, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels are as follows:

Level 1 - quoted prices in active market for identical assets or liabilities as of the reporting date;

Level 2 - quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices (such as interest rate and yield curves);

Level 3 - uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment.

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.

The following is a description of the valuation methodologies used for asset measurements at fair value. There have been no changes in the methodologies used at June 30, 2014.

Common stocks: Valued at the closing price reported in the active market in which individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Common stocks	$ 5,524	$ -	$ -	$ 5,524
	$ 5,524	$ -	$ -	$ 5,524

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following:

	June 30, 2013	Contributions and Other Income	Released from Restrictions	June 30, 2014
Reversing Roe	$ 9,089	$ -	$ -	$ 9,089
Prosecutor's Conference	35,628			35,628
	$ 44,717	$ -	$ -	$ 44,717

6. Compensated Absences

Full-time employees are entitled to paid vacation depending on the length of service and other factors. Accrued vacation expense as of June 30, 2014 was $109,813.

7. Retirement Plan

The Organization offers to its employees the opportunity to participate in a tax deferred account under Section 403(b) of the Internal Revenue Code for the benefit of its employees. An employee becomes eligible to participate in the plan immediately after becoming an employee and attaining age eighteen. The Organization does not provide an employer contribution.

8. Commitments

The Organization occupies office space in the District of Columbia under an operating lease expiring in December 2018. The lease contains annual escalation clauses in rent and the base monthly rental payment is $23,027.

Future minimum lease payments at June 30 are as follows:

2015	$ 285,367
2016	292,501
2017	299,814
2018	307,309
	$ 1,184,991

Rent expense was $149,549 during 2014.

9. Contingencies

The Organization receives grants, which may be audited by donors for compliance with terms of the grant award. The Organization has not made any provisions in these financial statements for contingent liabilities that may occur as a result of such audits. Management does not anticipate that such amount, if any, will be significant.

10. Conditional Grant

In 2013, the Organization received a grant with total possible funding of up to $1,000,000. Funding was conditional based on performance and meeting ongoing mission objectives. Through June 30, 2013, the Organization recognized a total of $500,000 as grant revenue. An additional $313,707 was received subsequent to June 30, 2013 and recorded as revenue and contribution receivable in fiscal year 2013. During fiscal year 2014, the Organization received the remaining $186,293.

In May 2014, a new grant letter was received authorizing funding of $3,750,000. Funding is determined based on disbursement schedules provided by the Organization to the Foundation. As of June 30, 2014, no payments had been received under the new grant nor any revenue recognized.

11. Joint Costs of Activities that Include a Fundraising Appeal

The Organization achieves some of its programmatic and management and general goals in direct mail campaigns that include requests for contributions. In 2014, the costs of conducting those campaigns included a total of $488,487 of joint costs that are not directly attributable to either the program or management and general components or the fundraising component of the activities. Those joint costs were allocated as follows:

	Direct Mail 2014
Public affairs and education	$ 9,490
Development	478,997
	$ 488,487

12. Related Party Transaction

On May 5, 2011, the Organization entered into a promissory note agreement with AUL Action in the amount of $124,568. The note receivable bears interest at a floating current short-term applicable federal rate having a term of three years or less per annum, compounded quarterly (2.23% at June 30, 2014). During fiscal year 2014, the Organization entered into a revised promissory note agreement with AUL Action for an additional $223,900 totaling $347,558. The principal and interest are due no later than June 30, 2018. As of June 30, 2014, accrued interest was $3,541.

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