

AMERICANS UNITED FOR LIFE, INC.

JUNE 30, 2016

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in their entirety.**

AMERICANS UNITED FOR LIFE, INC.

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Americans United for Life, Inc.
Arlington, VA

Scope

We have audited the accompanying financial statements of Americans United for Life, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets, 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 generally accepted accounting principles 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 generally accepted auditing standards 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.

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, 2016, and the changes in their net assets and its cash flows for the year then ended in accordance with generally accepted accounting principles in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the financial statements, Americans United for Life, Inc. restated opening net assets in the amount of \$136,110 to properly recognize deferred rent and interest receivable incurred during 2014, but was not recorded on the 2014 statements. Our opinion is not modified with respect to this matter.

To the Board of Directors
Americans United for Life, Inc.
Arlington, VA

Report on Summarized Comparative Information

We have previously audited Americans United for Life, Inc. financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ross, Langan & McKeendree
L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

February 22, 2017

AMERICANS UNITED FOR LIFE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
With Comparative Financial Information as of June 30, 2015

ASSETS

	June 30,	
	2016	(Restated) 2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,838,608	\$ 696,021
Contributions receivable	212,900	215,579
Notes receivable - related party	116,756	110,395
Prepaid expenses	79,304	174,346
Total current assets	2,247,568	1,196,341
PROPERTY AND EQUIPMENT, NET	19,597	30,903
OTHER ASSETS		
Note receivable - related party	102,219	223,200
Deposits	46,975	46,975
Total other assets	149,194	270,175
TOTAL ASSETS	\$ 2,416,359	\$ 1,497,419

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 47,613	\$ 43,142
Accrued wages	28,019	75,165
Accrued compensated absences	35,103	103,185
Total current liabilities	110,735	221,492
OTHER LIABILITIES		
Other payable - related party	-	2,000
Deferred rent	104,148	133,239
Total other liabilities	104,148	135,239
TOTAL LIABILITIES	214,883	356,731
NET ASSETS		
Unrestricted	2,156,759	1,095,971
Temporarily restricted	44,717	44,717
TOTAL NET ASSETS	2,201,476	1,140,688
TOTAL LIABILITIES AND NET ASSETS	\$ 2,416,359	\$ 1,497,419

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

AMERICANS UNITED FOR LIFE, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2016
 With Summarized Financial Information For the Year Ended June 30, 2015

			<u>June 30,</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>(Restated) 2015</u>
REVENUE				
Contributions and grants	\$ 4,631,121	\$ -	\$ 4,631,121	\$ 4,308,885
Interest income	5,434	-	5,434	4,111
Net realized and unrealized gain (losses) on investments	20	-	20	759
Other revenue	<u>1,618</u>	<u>-</u>	<u>1,618</u>	<u>10</u>
Total revenue	.....<u>4,638,193</u>	.....<u>-</u>	.....<u>4,638,193</u>	.....<u>4,313,765</u>
EXPENSES				
Program services				
Litigation and legal affairs	968,395	-	968,395	957,287
Public affairs and education	1,125,750	-	1,125,750	1,249,170
Government affairs and education	<u>454,840</u>	<u>-</u>	<u>454,840</u>	<u>561,724</u>
Total program services	.....<u>2,548,985</u>	.....<u>-</u>	.....<u>2,548,985</u>	.....<u>2,768,181</u>
Supporting services				
Management and general	296,253	-	296,253	198,871
Development and fundraising	<u>732,167</u>	<u>-</u>	<u>732,167</u>	<u>886,057</u>
Total supporting services	<u>1,028,420</u>	<u>-</u>	<u>1,028,420</u>	<u>1,084,928</u>
Total expenses	<u>3,577,405</u>	<u>-</u>	<u>3,577,405</u>	<u>3,853,109</u>
CHANGE IN NET ASSETS	.....<u>1,060,788</u>	.....<u>-</u>	.....<u>1,060,788</u>	.....<u>460,656</u>
NET ASSETS, BEGINNING OF PERIOD	1,095,971	44,717	1,140,688	816,142
Restatement of net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(136,110)</u>
NET ASSETS - BEGINNING OF PERIOD, as restated	<u>1,095,971</u>	<u>44,717</u>	<u>1,140,688</u>	<u>680,032</u>
NET ASSETS, END OF PERIOD	<u>\$ 2,156,759</u>	<u>\$ 44,717</u>	<u>\$ 2,201,476</u>	<u>\$ 1,140,688</u>

AMERICANS UNITED FOR LIFE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
With Summarized Financial Information
For the Year Ended June 30, 2015

	Program Services			Supporting Services			2015 Total
	Litigation and Legal Affairs	Public Affairs and Education	Government Affairs and Education	Management and General	Development and Fundraising	2016 Total	
Salaries	\$ 479,185	\$ 248,845	\$ 172,008	\$ 159,034	\$ 185,407	\$ 1,244,479	\$ 1,615,287
Employee benefits	95,078	61,804	47,550	9,009	29,699	243,140	316,940
Payroll taxes	38,218	19,445	14,490	8,628	13,165	93,946	121,052
Temporary help	4,947	4,947	4,947	14,908	4,947	34,696	7,214
Professional fees	59,730	171,871	41,223	36,486	148,125	457,435	420,792
Occupancy	104,667	67,930	52,542	18,715	33,410	277,264	241,213
Telecommunications	17,513	10,684	9,524	2,916	5,544	46,181	41,917
Office expense	22,462	25,138	10,867	12,363	18,653	89,483	166,616
Postage and shipping	5,104	3,205	3,075	863	1,615	13,862	37,970
Insurance	10,365	6,727	5,203	1,854	3,309	27,458	35,874
Meetings and travel	41,796	95,295	24,300	6,190	39,868	207,449	203,803
Research	9,257	6,008	25,334	1,654	4,330	46,583	51,736
Publications	10,365	36,653	3,210	1,407	24,857	76,492	32,284
Direct mail	-	175,894	-	-	156,578	332,472	369,348
Marketing	13,245	154,708	12,261	12,143	44,661	237,018	175,991
Lobbying expense	45,300	29,400	22,740	8,100	14,460	120,000	5,000
State filing fees	6,276	4,024	3,113	1,108	1,979	16,500	-
Depreciation	4,887	3,172	2,453	875	1,560	12,947	10,072
Total expenses	\$ 968,395	\$ 1,125,750	\$ 454,840	\$ 296,253	\$ 732,167	\$ 3,577,405	\$ 3,853,109

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

AMERICANS UNITED FOR LIFE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

With Comparative Financial Information For the Year Ended June 30, 2015

	June 30,	
	2016	(Restated) 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,060,788	\$ 460,656
Adjustments to reconcile change in net assets to net change in cash from operating activities		
Depreciation and amortization	12,947	10,072
Net realized and unrealized (gain)/loss on investments	(20)	(759)
Loss on disposal of fixed assets	994	-
Noncash donation of stock	(8,262)	(19,706)
Change in assets and liabilities:		
Contributions receivable	2,680	82,057
Interest receivable		(861)
Prepaid expenses and other assets	95,041	(72,822)
Accounts payable	4,471	(69,502)
Accrued compensation	(47,147)	(6,538)
Accrued compensated absences	(68,081)	(6,628)
Deferred rent	(29,091)	(5,693)
Total adjustments	(36,468)	(90,380)
Net change in cash from operating activities	1,024,320	370,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment acquisitions	(2,635)	(3,504)
Proceeds on sales of investments	8,282	25,989
Proceeds on notes receivable - related party	112,620	15,963
Net change in cash from investing activities	118,267	38,448
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,142,587	408,724
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	696,021	287,297
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,838,608	\$ 696,021

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

AMERICANS UNITED FOR LIFE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Americans United for Life, Inc. (AUL) is a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. AUL 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 AUL only. The financial statements of AUL have been consolidated with AUL Action, NFP (AULA) in accordance with generally accepted accounting principles in the United States of America and are presented in a separate report.

Program Descriptions

Litigation and Legal Affairs

AUL works through the courts to Defend Life and protect the First Amendment Freedom of Conscience. AUL has a combined litigation and legislation strategy, drafting, advising, and providing model pro-life legislation to legislators, working to help it get passed, and then assisting Attorney Generals in defending pro-life laws, including filing amicus curiae briefs in support of laws based on our models.

Government Affairs and Education

AUL works with legislators across the country to enact pro-life legislation by providing and consulting on pro-life model bills. AUL makes its legal knowledge accessible to pro-life legislators and the public through its annual Defending Life publication, a state-by-state legal guide to abortion, bioethics, and the end of life.

Public Affairs and Education

AUL utilizes national media coverage, publications, speaking engagements, online outreach, and other educational resources to provide educational services. These opportunities also support AUL's legislative strategy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting following the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), which is the sole source of authoritative generally accepted accounting principles in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

AMERICANS UNITED FOR LIFE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

AUL 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 revenue and expenses associated with the principle mission of AUL, 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 revenue 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, 2016, AUL had no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, AUL considers all separately held money market accounts with an original maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions receivable are reported at their outstanding balances and consist of contributions collected but not received from AUL's professional fundraisers. Management periodically evaluates the collectibility of contributions receivable by considering AUL'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 determination that they are uncollectible. Management believes all significant contributions receivable are collectible in less than one year and, therefore, no allowance for doubtful accounts has been established at June 30, 2016.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values obtained from public sources in the accompanying statement of financial position. Unrealized gains and losses are included in investment income in the accompanying statement of activities.

Revenue Recognition

Contributions are received from AUL's board members, or from the public and recorded as revenue in the period in which they are received. 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, received from private foundations, is recorded as revenue in the period in which the applicable conditions are satisfied.

AMERICANS UNITED FOR LIFE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 AUL's policy to capitalize assets purchased with a cost in excess of \$1,000.

Functional Allocation of Expenses

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

Income Taxes

AUL received a determination letter from the Internal Revenue Service (IRS) that it has been granted an exemption from federal and state income taxes and it qualifies as a publicly supported organization under Section 501(c)(3) of the Internal Revenue Code (IRC). AUL has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC. AUL believes its operations are consistent with the nature of their exemption granted by the IRS. AUL has recorded no current liability for income taxes on unrelated business income or corporate income taxes and no temporary differences resulting in deferred taxes as of June 30, 2016.

AUL is required to measure, recognize, present, and disclose in its financial statements uncertain income tax positions AUL has taken in the tax years that remain subject to examination or expects to take on an income tax return. AUL recognizes the tax benefits from uncertain income tax positions only if it is more likely than not the tax position will be sustained on examination by tax authorities. Prior year income tax returns may be subject to audit in various tax jurisdictions, most of which define open tax years as three years from the later of the due date or the date the return was filed. AUL recorded no liability for uncertain income tax positions for any open tax years.

Concentration of Credit Risk

AUL maintains cash and investments in a federally insured bank and broker-managed accounts and has credit risk on those amounts to the extent they exceed federal insurance limits. AUL has cash in a federally insured bank in excess of Federal Deposit Insurance Corporation (FDIC) limits of \$1,390,403 as of June 30, 2016. AUL believes its credit risk is not significant.

Marketing

Marketing costs are expensed as they are incurred. Marketing expense was \$237,018 for 2016.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

AMERICANS UNITED FOR LIFE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 GAAP. Accordingly, such information should be read in conjunction with AUL's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Subsequent Events

AUL has evaluated subsequent events through February 22, 2017, which is the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2016:

Furniture and equipment	\$	10,012
Computer equipment		92,095
Less accumulated depreciation	(	<u>82,510</u>)
Net property and equipment	\$	<u>19,597</u>

AUL recorded total depreciation expense of \$12,947 in the year ended June 30, 2016.

NOTE 4 - NET ASSETS RESTATEMENT

AUL entered into a new lease for office space during fiscal year 2014 and the resulting deferred rent of \$131,708 was not recorded in the 2014 audited statements. AUL also recognized the entire amount of interest income to be received on note receivable from AULA, a related party, at the time the note was executed. This correction resulted in a net asset adjustment of \$4,402. AUL has restated its June 30, 2015, opening unrestricted net assets in the amount of \$136,110 to recognize the deferred rent, and to appropriately account for the interest income in accordance with GAAP.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

The composition of temporarily restricted net assets are as follows as of June 30, 2016:

Reversing Roe	\$	9,089
Prosecutor's Conference		<u>35,628</u>
Total	\$	<u>44,717</u>

NOTE 6 - COMPENSATED ABSENCES

Full-time employees are entitled to paid vacation depending on the length of service and other factors. Accrued compensated absences as of June 30, 2016, was \$35,103.

AMERICANS UNITED FOR LIFE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT PLAN

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

NOTE 8 - RELATED PARTY TRANSACTIONS AND FOUNDATION NOTE PAYABLE

On May 5, 2011, AUL entered into a promissory note agreement with AULA in the amount of \$124,568. The note 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 percent at June 30, 2014). During fiscal year 2014, AUL entered into a revised promissory note agreement with AULA for an additional \$223,900 totaling \$347,558. The note bears interest at 3.25 percent as of June 30, 2016. The loan also requires quarterly principal and interest payments of \$30,000 beginning on September 30, 2015, with the final payment of principal and interest due no later than June 30, 2018. Interest received on the note during fiscal year 2016 was \$5,380.

NOTE 9 - COMMITMENTS

AUL 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.

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 299,818
2018	307,313
2019	<u>155,554</u>
	<u>\$ 762,685</u>

Rent expense, included in occupancy costs, was \$277,264 during 2016.

NOTE 10 - CONTINGENCIES

AUL receives grants, which may be audited by donors for compliance with terms of the grant award. AUL 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.

NOTE 11 - CONDITIONAL GRANT

In May 2014, a new grant letter was received authorizing funding of \$3,750,000. Funding is determined based on disbursement schedules provided by AUL to the contributing foundation. As of June 30, 2016, AUL has recognized and received \$3,750,000.

AMERICANS UNITED FOR LIFE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - JOINT COSTS OF ACTIVITIES THAT INCLUDE A FUNDRAISING APPEAL

AUL achieves some of its programmatic and management and general goals in direct mail campaigns that include requests for contributions. In 2016, the costs of conducting those campaigns included a total of \$332,472 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:

Public affairs and education	\$ 175,894
Development	<u>156,578</u>
Total	<u>\$ 332,472</u>

NOTE 13 - SUBSEQUENT EVENTS

Effective December 13, 2016, AUL entered into a 30 month lease agreement for office space in Arlington, Virginia. The lease contains annual escalation clauses in rent and the base monthly rental payment is \$12,288. Effective December 15, 2016, AUL is subleasing their office space for the remaining 24 months of their lease in Washington, DC. The sublessee will assume all obligations of AUL under the master lease.