

# AMERICAN ETHICAL UNION

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FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2012 AND 2011

PREPARED BY  
ROSS WISDOM CPA, PLLC

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
American Ethical Union  
2 West 64th Street  
New York, NY. 10023

We have audited the accompanying financial statements of American Ethical Union (a nonprofit organization), which comprise the statement of financial position as of September 30, 2012 and 2011 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 of 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 American Ethical Union as of September 30, 2012 and 2011 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.

  
Ross Wisdom CPA, PLLC  
Certified Public Accountant

New York, NY  
October 30, 2015

**AMERICAN ETHICAL UNION**  
**Statement of Financial Position**  
**At September 30, 2012 and 2011**

	2012	2011
<b>Current assets</b>		
Cash	\$ 92,788	\$ 37,947
Investments (note 2)	186,995	129,831
Cash & cash equivalents	<u>279,783</u>	<u>167,778</u>
Accounts receivable - society apportionment	114,724	111,402
Inventories of books, cd's & collectibles	4,819	5,537
Total current assets	<u>399,326</u>	<u>284,717</u>
<b>Fixed assets</b>		
Office furniture and equipment	25,639	25,639
Less: accumulated depreciation	<u>(24,925)</u>	<u>(24,256)</u>
Net fixed assets	<u>714</u>	<u>1,383</u>
<b>Other assets</b>		
Archives (library & manuscripts)	<u>20,169</u>	<u>20,169</u>
Total other assets	<u>20,169</u>	<u>20,169</u>
<b>Total assets</b>	<u><b>\$ 420,209</b></u>	<u><b>\$ 306,269</b></u>
<b>Current liabilities</b>		
Accounts payable & accrued expenses	\$ 19,500	\$ 23,750
Total current liabilities	<u>19,500</u>	<u>23,750</u>
<b>Total liabilities</b>	<u>19,500</u>	<u>23,750</u>
<b>Net assets</b>		
Unrestricted net assets	<u>175,594</u>	<u>120,844</u>
Total unrestricted net assets	<u>175,594</u>	<u>120,844</u>
Temporarily restricted (note 6)	54,814	22,538
Permanently restricted	<u>170,301</u>	<u>139,137</u>
Total net assets	<u>400,709</u>	<u>282,519</u>
<b>Total liabilities and net assets</b>	<u><b>\$ 420,209</b></u>	<u><b>\$ 306,269</b></u>

The accompanying notes are an integral part of these financial statements

**AMERICAN ETHICAL UNION**  
**Statement of Activities**  
**For the Year Ended September 30, 2012**

	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and revenue</b>				
Society apportionment	\$ 189,151	\$ -	\$ -	\$ 189,151
Contributions and gifts	84,273	49,570		133,843
Conferences, workshops & meetings	76,991			76,991
Investment income	3,334			3,334
Interest income	0		4,466	4,466
Net sale of books, cd's & collectibles	822			822
Membership dues	3,550			3,550
Admin. fees from sub-committees	5,985			5,985
Other income	200			200
Total public support & revenue	<u>364,306</u>	<u>49,570</u>	<u>4,466</u>	<u>418,342</u>
Net assets released from restrictions	17,294	(17,294)		0
<b>Total revenue and support</b>	<b><u>\$ 381,600</u></b>	<b><u>\$ 32,276</u></b>	<b><u>\$ 4,466</u></b>	<b><u>\$ 418,342</u></b>
<b>Functional expenses</b>				
Program services	\$ 219,944	\$ -	\$ -	\$ 219,944
Management & general	80,215			80,215
Fundraising	26,691			26,691
<b>Total expenses</b>	<b><u>\$ 326,850</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 326,850</u></b>
Excess (deficiency) of public support	\$ 54,750	\$ 32,276	\$ 4,466	\$ 91,492
Realized and unrealized gains (losses)	0		26,698	26,698
Change in net assets	<u>54,750</u>	<u>32,276</u>	<u>31,164</u>	<u>118,190</u>
Net assets - beginning of year	120,844	22,538	139,137	282,519
<b>Net assets - end of year</b>	<b><u>\$ 175,594</u></b>	<b><u>\$ 54,814</u></b>	<b><u>\$ 170,301</u></b>	<b><u>\$ 400,709</u></b>

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**AMERICAN ETHICAL UNION**  
**Statement of Activities**  
**For the Year Ended September 30, 2011**

	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and revenue</b>				
Society apportionment	\$ 187,254	\$ -	\$ -	\$ 187,254
Contributions and gifts	146,328	16,874		163,202
Conferences, workshops & meetings	45,275			45,275
Investment income	231		2,309	2,540
Interest income	11,640			11,640
Net sale/loss of books, cd's & collectibles	(2,243)			(2,243)
Membership dues	3,625			3,625
Other income	3,022			3,022
Total public support & revenue	395,132	16,874	2,309	414,315
Net assets released from restrictions	67,946	(67,946)		0
<b>Total revenue and support</b>	<b>\$ 463,078</b>	<b>\$ (51,072)</b>	<b>\$ 2,309</b>	<b>\$ 414,315</b>
<b>Functional expenses</b>				
Program services	\$ 248,091	\$ -	\$ -	\$ 248,091
Management & general	69,230			69,230
Fundraising	28,841			28,841
<b>Total expenses</b>	<b>\$ 346,162</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 346,162</b>
Excess (deficiency) of public support	\$ 116,916	\$ (51,072)	\$ 2,309	\$ 68,153
Realized and unrealized gains (losses)	3,151		5,837	8,988
Change in net assets	120,067	(51,072)	8,146	77,141
Net assets - beginning of year (note 7)	777	73,610	130,991	205,378
<b>Net assets - end of year</b>	<b>\$ 120,844</b>	<b>\$ 22,538</b>	<b>\$ 139,137</b>	<b>\$ 282,519</b>

The accompanying notes are an integral part of these financial statements

**AMERICAN ETHICAL UNION**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2012**

	Total	Program Services	Management & General	Fund Raising
Officer's salaries	\$ 56,160	\$ 18,720	\$ 18,720	\$ 18,720
Other salaries	34,913	34,913		
Payroll taxes & benefits	26,672	16,004	5,334	5,334
Accounting & auditing	4,750		4,750	
Administrative fees	5,985		5,985	
Bank charges	1,933		1,933	
Bookkeeping fees	3,376		3,376	
Consulting	52,072	52,072		
Depreciation	669	669		
Dues & memberships	8,405		8,405	
Education/training	3,366	3,366		
Mossler Training Fellowship	10,970	10,970		
Insurance	3,604	360	3,244	
Miscellaneous	510		510	
Occupancy	8,612	5,166	1,723	1,723
Office expense	10,050	6,030	4,020	
Payroll processing	4,567	2,739	914	914
Professional development	198		198	
Travel, conferences & meeting	89,526	68,935	20,591	
Website/computer consulting	512		512	
<b>Total</b>	<b>\$ 326,850</b>	<b>\$ 219,944</b>	<b>\$ 80,215</b>	<b>\$ 26,691</b>

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**AMERICAN ETHICAL UNION**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2011**

	Total	Program Services	Management & General	Fund Raising
Officer's salaries	\$ 54,000	\$ 18,000	\$ 18,000	\$ 18,000
Other salaries	27,000	27,000		
Payroll taxes & benefits	22,336	12,508	4,914	4,914
Accounting & auditing	4,750		4,750	
Bad debt expense (note 3)	10,219		10,219	
Bank charges	1,838		1,838	
Bookkeeping fees	4,080		4,080	
Consulting	59,050	59,050		
Depreciation	831	831		
Dues & memberships	6,224		6,224	
Education/training	10,696	10,696		
National Ethical Service-Rose L. Walker Fund (note 5)	71,315	71,315		
Insurance	2,036	204	1,832	
Interest expense	443		443	
Miscellaneous	686		686	
Occupancy	10,649	5,963	2,343	2,343
Office expense	12,778	7,668	2,555	2,555
Payroll processing	4,677	2,619	1,029	1,029
Professional development	300		300	
Publications	2,000	2,000		
Travel, conferences & meeting	39,269	30,237	9,032	
Website/Computer expenses	985		985	
<b>Total</b>	<b>\$ 346,162</b>	<b>\$ 248,091</b>	<b>\$ 69,230</b>	<b>\$ 28,841</b>

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**AMERICAN ETHICAL UNION**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2012 and 2011**

	2012	2011
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 118,190	\$ 77,141
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	669	831
(Increase) decrease in assets		
Accounts receivable	(3,322)	(14,469)
Inventory	718	4,315
Loan receivable (note 3)		10,219
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(4,250)	(12,294)
Loan payable (note 4)		(14,318)
Realized & unrealized (gains) losses on investments	(26,698)	(8,988)
<b>Net cash provided (used) by operating activities</b>	<b>85,307</b>	<b>42,437</b>
<b>Cash flows from investing activities:</b>		
Net (purchases) and sales of securities	(30,466)	(4,490)
<b>Net cash provided (used) by investing activities</b>	<b>(30,466)</b>	<b>(4,490)</b>
<b>Cash flows from financing activities:</b>	<b>0</b>	<b>0</b>
<b>Net increase in cash</b>	<b>54,841</b>	<b>37,947</b>
<b>Cash, beginning of year</b>	<b>37,947</b>	<b>0</b>
<b>Cash, end of year</b>	<b>\$ 92,788</b>	<b>\$ 37,947</b>

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**AMERICAN ETHICAL UNION**  
**Statement of Financial Position**  
**At September 30, 2012 and 2011**

	2012	2011
<b>Current assets</b>		
Cash	\$ 92,788	\$ 37,947
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Net fixed assets	<u>714</u>	<u>1,383</u>
<b>Other assets</b>		
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The accompanying notes are an integral part of these financial statements

**AMERICAN ETHICAL UNION**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2012 and 2011**

**Organization**

American Ethical Union was founded in 1889 and incorporated in New York State on February 4, 1947. The organization is located at 2 West 64<sup>th</sup> Street, New York, New York 10023 and lists as its purposes the following:

- (1) To promote the knowledge, love and the practice of right living in all the relations of life.
- (2) To bring into close fellowship of thought and action all existing Ethical Culture/Ethical Humanist Societies.

American Ethical Union is exempt from Federal income taxes under Section 501(c) ( 3) of the Internal Revenue Code.

**1. Summary of Significant Accounting Policies**

The summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

**Financial Statement Presentation**

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. They are presented in accordance with the provisions of Accounting Standards Codification 958, "*Financial Statements of Not-For-Profit Organization*". Under the provisions of Codification 958, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of The Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions, but may be designated for specific purposes by the action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed restrictions that may can be fulfilled either by actions of the Organization pursuant to those stipulations and/or the passage of time.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed restrictions that the Organization maintains. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

## 1. Summary of Significant Accounting Policies (continued)

### Financial Statement Presentation

*Restricted Grants and Contributions* – Grant awards require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. American Ethical Union management is of opinion that the Organization has complied with the terms and conditions of all the grants.

### Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, cash and cash equivalents are defined as demand deposits at banks and certificates of deposit with purchased maturities of less than ninety days.

### Revenue Recognition

Contribution is recognized when the donor makes a promise to give that is, in substance, unconditional. Grant revenue is recognized as earned expenses are incurred. Contributions of assets other than cash are recorded at fair value at the date of donation. In accordance with the provision of Accounting Standards Codification 9598-608, “*Accounting for Contributions Received and Contributions Made*”, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

All unconditional promises to give, which are expected to be received beyond one year, are discounted to their net present value.

### Donated Facilities and Services

Contributions of donated non-cash assets are recorded at their fair market values in the period received. Donated services are recognized as contributions in accordance with the provision of Accounting Standards Codification 958-605, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

During the year ended September 30, 2012 and 2010, the value of donated services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fundraising, management and general expense or the appropriate program based on evaluations of the related benefits and actual hours. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the allocation of functional expenses.

## 1. Summary of Significant Accounting Policies (continued)

### Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change of net assets

### Inventory

Inventory consists of books, cd's and collectible purchased and those produced by the Organization that are carried at the lower of cost or fair market value.

### Office Furniture and Equipment

Purchases of furniture & equipment are recorded at cost. Donations of furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Furniture and equipment are depreciated using the straight-line method over the expected useful lives of the assets.

## 2. Investments

Investments are stated at fair market value. At September 30, these consisted of:

	2012		2011	
	Cost	Fair Market Value	Cost	Fair Market Value
<u>Board Fund</u>				
Money Market Fund	\$ 10,007	\$ 10,007	\$ 7	\$ 7
Equities	-	-		
Total Board Fund	\$ 10,007	\$ 10,007	\$ 7	\$ 7
<u>Leadership Fund</u>				
Money Market Fund	\$ 8,571	\$ 8,571	\$ 76,555	\$ 76,555
Equities	138,907	168,417	53,027	53,269
Total Leadership Fund	\$ 147,478	\$ 176,988	\$ 129,582	\$ 129,824
Total	\$ 157,485	\$ 186,995	\$ 129,589	\$ 129,831

## 3. Loan Receivable/Bad Debt Expense – Ethical Humanist Society of Long Island

On February 9, 2006 an amount of \$7,200 of the Apportionment Arrears due American Ethical Union from Ethical Humanist Society of Long Island was converted to a loan from American Ethical Union. The Organization wrote off the uncollectible balance due as a bad debt expense amounting to \$10,219 (principal & interest) at September 30, 2011.

#### 4. Loan payable

The Organization has an unsecured business loan with 1<sup>st</sup> Colonial National Bank, ending balance at September 30, 2010 was \$14,318. This amount was paid off during the year ending September 30, 2011.

#### 5. National Ethical Service - Rose L. Walker Fund

The Rose L. Walker Fund is in the National Ethical Service segregated account. NES has rewritten its By-Laws, developed an investment policy and created a finance committee to insure fiscal accountability and continue with fund raising. None of this would have been possible without the support of AEU. This fund exists for three main purposes: to insure the permanence of the NES work at the UN, to provide small stipends in global emergencies and to develop special programming including seed grants for project development that align with their policy priorities. For further information visit the website [www.nationalserviceaeu.org](http://www.nationalserviceaeu.org).

#### 6. Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets were available as following on September 30:

	2012	2011
Barbara Michaels Archive Fund	\$ 3,635	\$ 2,500
Camp Linden	32	30
Executive Director Fund	32,668	
Future of Ethical Society (FES)	1,811	
Growth and Development Workshop	75	
Just Matrimony	843	1,293
Leadership Training Funds		16,844
Life Memberships	1,871	1,871
New Society Development Fund	280	
Publication Fund	872	
Song Book	2,180	
Summer School	8,768	
Visiting Leaders	95	
Youth Ethical Society (YES)	1,684	
Total	<u>\$ 54,814</u>	<u>\$ 22,538</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

## 7. Prior Period Adjustments

Ending unrestricted net assets at September 30, 2011 was overstated by \$48,724 and permanently restricted net assets was understated by the same amount. Opening balances for unrestricted net assets and permanently net assets have been adjusted for prior period accounting errors. This adjustment has no effect on the current period statement of activities.

	<u>Unrestricted</u>	<u>Perm. Restricted</u>
Net Assets, September 30, 2010 (Unadjusted)	\$ 49,501	\$ 82,267
Prior Period Adjustments	(48,724)	48,724
Net Assets, September 30, 2010 (Adjusted)	<u>\$ 777</u>	<u>\$ 130,991</u>

## 8. Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. A fund known as the AEU Leadership Fund was established and maintained separate from all other funds of the AEU. The purpose of the AEU Leadership Fund is to provide funds for the growth and development of the Ethical Movement. The Board has the responsibility for approving and authorizing expenditures of available funds of the Leadership Fund. Expenditures are to be made only from the income of the Leadership Fund, except that principal may be used to the extent of any gifts which by their terms expressly require or permit the expenditure of principal as well as income.

Permanently restricted funds consists of historic dollar value amounts of \$150,000 (estimated as of the dates of donations) for the Leadership Fund program established prior to 1976 and \$13,969 from the Monmouth Fund which is also for the Leadership Fund. In addition, if the value of the assets has appreciated over the historic dollar value, the net appreciation, realized (with respect to all assets) and unrealized (with respect only to readily marketable assets) may be appropriated for expenditure, unless prohibited by the donor in the applicable gift instrument. Pursuant to NYS law section 513(c) of the N-PCL, the board of directors of the corporation may appropriate these amounts if such a decision is prudent under the standard established by N-PCL section 717 (Duty of directors and officers).

### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Board of Directors requires the Organization to retain as a fund of perpetual duration. The Organization has deficiencies of this nature as of September 30, 2011 of \$24,832 due to a decrease in market values of investments funds. These deficiencies have subsequently been fully restored as of September 30, 2012.

## 9. Concentration of credit risk

The organization maintains accounts at Chase Bank, 1<sup>st</sup> Colonial National Bank and Oppenheimer, institutions insured by the Federal Deposit Insurance Corporation (FDIC). Cash at these institutions do not exceed the federally insured limit at September 30, 2012 and 2011. The Organization also maintains brokerage accounts at Oppenheimer, an institution insured by the Securities Investor Protection Corporation (SPIC) up to \$500,000 including a \$100,000 limit for cash. Securities at these do not exceed the federally insured limits at September 30, 2012 and 2011.

## **10. Income Taxes**

The Organization has qualified as a tax-exempt organization under 501(C)(3) of the Internal Revenue Code and is also considered a religious organization and therefore not required to file federal or state income tax returns.

## **11. Related Party Transactions**

There were no related party transactions identified for the year ending September 30, 2012 and 2011.

## **12. Subsequent Events**

The Organization has evaluated all subsequent events through the date of this report, and determined there are no material recognized or unrecognized subsequent events warranting adjustment or disclosure.