

THE AMERICAN PHILOLOGICAL ASSOCIATION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

THE AMERICAN PHILOLOGICAL ASSOCIATION

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
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FINANCIAL STATEMENTS

<i>Statements of Financial Position</i>	2
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<i>Statements of Activities</i>	3
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<i>Statements of Functional Expenses</i>	4
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<i>Statements of Cash Flows</i>	6
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<i>Notes to Financial Statements</i>	7
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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
The American Philological Association
Philadelphia, Pennsylvania**

We have audited the accompanying statements of financial position of The American Philological Association (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Philological Association at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

BBD, LLP

**Philadelphia, Pennsylvania
April 23, 2010**

THE AMERICAN PHILOLOGICAL ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	\$ 285,334	\$ 188,108
Accounts receivable		
Grants and contributions	614,143	836,414
Other	31,343	33,595
Inventory	8,367	9,498
Prepaid expenses and deposits	26,857	24,557
Investments	3,951,386	4,041,665
Equipment, net of accumulated depreciation of \$24,509 in 2009 and \$22,132 in 2008	<u>11,142</u>	<u>13,486</u>
Total assets	<u>\$4,928,572</u>	<u>\$5,147,323</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 71,647	\$ 51,662
Fellowships payable	77,400	54,000
Deferred revenue	<u>107,665</u>	<u>120,322</u>
Total liabilities	<u>256,712</u>	<u>225,984</u>
NET ASSETS		
Unrestricted	1,294,187	1,737,315
Temporarily restricted	1,094,752	1,577,665
Permanently restricted	<u>2,282,921</u>	<u>1,606,359</u>
Total net assets	<u>4,671,860</u>	<u>4,921,339</u>
Total liabilities and net assets	<u>\$4,928,572</u>	<u>\$5,147,323</u>

See accompanying notes

THE AMERICAN PHILOLOGICAL ASSOCIATION

STATEMENTS OF ACTIVITIES

Years ended June 30, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT								
Membership dues	\$ 245,964	\$ -	\$ -	\$ 245,964	\$ 239,532	\$ -	\$ -	\$ 239,532
Grants and contributions	171,248	48,750	676,562	896,560	146,816	448,384	690,674	1,285,874
Annual meeting revenue	327,305	-	-	327,305	332,245	-	-	332,245
Publication sales	28,634	-	-	28,634	25,521	-	-	25,521
Placement service fees	42,552	-	-	42,552	55,318	-	-	55,318
Royalties	59,055	-	-	59,055	58,483	-	-	58,483
Other income	25,335	-	-	25,335	35,272	-	-	35,272
Net assets released from restrictions	270,282	(270,282)	-	-	203,475	(203,475)	-	-
Total revenues and support	1,170,375	(221,532)	676,562	1,625,405	1,096,662	244,909	690,674	2,032,245
EXPENSES								
Program expenses								
Education	81,441	-	-	81,441	89,711	-	-	89,711
Outreach	53,943	-	-	53,943	56,272	-	-	56,272
Placement	74,147	-	-	74,147	74,702	-	-	74,702
Professional matters	32,613	-	-	32,613	34,338	-	-	34,338
Annual meeting	376,749	-	-	376,749	389,021	-	-	389,021
Publications	96,909	-	-	96,909	121,389	-	-	121,389
Research	237,459	-	-	237,459	215,441	-	-	215,441
Special projects	44,034	-	-	44,034	-	-	-	-
Supporting services								
Member services	53,394	-	-	53,394	56,490	-	-	56,490
General and administrative	29,184	-	-	29,184	29,164	-	-	29,164
Fundraising	145,167	-	-	145,167	161,133	-	-	161,133
Total expenses	1,225,040	-	-	1,225,040	1,227,661	-	-	1,227,661
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(54,665)	(221,532)	676,562	400,365	(130,999)	244,909	690,674	804,584
OTHER CHANGES								
Investment loss	(388,463)	(261,381)	-	(649,844)	(117,991)	(108,223)	-	(226,214)
CHANGE IN NET ASSETS	(443,128)	(482,913)	676,562	(249,479)	(248,990)	136,686	690,674	578,370
NET ASSETS								
Beginning of year	1,737,315	1,577,665	1,606,359	4,921,339	1,986,305	1,440,979	915,685	4,342,969
End of year	\$1,294,187	\$1,094,752	\$2,282,921	\$4,671,860	\$1,737,315	\$1,577,665	\$1,606,359	\$4,921,339

See accompanying notes

THE AMERICAN PHILOLOGICAL ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2009

	<u>Education</u>	<u>Outreach</u>	<u>Placement</u>	<u>Professional Matters</u>	<u>Annual Meeting</u>	<u>Publications</u>	<u>Research</u>	<u>Special Projects</u>	<u>Member Services</u>	<u>General and Administrative</u>	<u>Fund- Raising</u>	<u>Total</u>
Salaries and benefits	\$25,508	\$17,852	\$42,099	\$21,563	\$ 58,672	\$30,958	\$158,039	\$ 2,396	\$13,914	\$22,957	\$ 87,023	\$ 480,981
Grants, awards, fellowships and honoraria	31,450	2,100	-	-	900	7,305	51,400	7,400	-	-	-	100,555
Bank service fees	41	1	922	2	9,474	21	131	50	174	99	1,266	12,181
Cosponsor share of joint revenue	-	-	-	-	101,031	-	-	-	-	-	-	101,031
Depreciation	431	192	957	287	1,148	526	1,862	-	239	335	479	6,456
Equipment rental and maintenance	54	34	798	36	34,385	65	563	-	30	371	101	36,437
Insurance	2,868	2,725	3,181	2,782	5,257	2,925	2,725	-	143	200	285	23,091
Occupancy	587	261	1,305	392	1,566	718	261	-	326	457	652	6,525
Photocopies	63	28	140	42	974	77	28	-	48	49	70	1,519
Postage and shipping	678	4,460	1,594	452	4,110	12,983	340	-	2,224	528	4,433	31,802
Printing and publications	2,996	16,012	3,433	63	23,527	31,094	50	-	1,700	43	14,000	92,918
Professional and management fees	1,894	1,548	5,368	998	63,268	3,529	7,675	16,020	34,243	1,134	31,045	166,722
Supplies	86	38	210	58	1,310	106	382	-	47	67	2,368	4,672
Telephone	170	99	346	122	965	202	90	-	80	112	644	2,830
Travel, meals and lodging	11,513	7,379	5,920	4,786	64,294	5,074	12,799	10,143	-	409	1,686	124,003
Other	<u>3,102</u>	<u>1,214</u>	<u>7,874</u>	<u>1,030</u>	<u>5,868</u>	<u>1,326</u>	<u>1,114</u>	<u>8,025</u>	<u>226</u>	<u>2,423</u>	<u>1,115</u>	<u>33,317</u>
	<u>\$81,441</u>	<u>\$53,943</u>	<u>\$74,147</u>	<u>\$32,613</u>	<u>\$376,749</u>	<u>\$96,909</u>	<u>\$237,459</u>	<u>\$44,034</u>	<u>\$53,394</u>	<u>\$29,184</u>	<u>\$145,167</u>	<u>\$1,225,040</u>

See accompanying notes

THE AMERICAN PHILOLOGICAL ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2008

	<u>Education</u>	<u>Outreach</u>	<u>Placement</u>	<u>Professional Matters</u>	<u>Annual Meeting</u>	<u>Publications</u>	<u>Research</u>	<u>Member Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total</u>
Salaries and benefits	\$26,123	\$18,274	\$41,693	\$21,815	\$60,094	\$31,051	\$152,229	\$16,333	\$18,320	\$99,307	\$485,239
Grants, awards, fellowships and honoraria	35,250	2,400	-	-	900	8,600	41,000	-	848	-	88,998
Bank service fees	41	7	1,270	10	9,125	5	95	288	29	489	11,359
Cosponsor share of joint revenue	-	-	-	-	106,223	-	-	-	-	-	106,223
Depreciation	469	209	1,043	313	1,252	574	854	261	366	520	5,861
Equipment rental and maintenance	1,677	44	2,473	65	33,257	117	624	52	73	132	38,514
Insurance	2,843	2,701	3,156	2,758	5,149	2,900	2,701	142	199	284	22,833
Meeting space rental	856	-	-	-	-	-	-	-	-	-	856
Occupancy	570	253	1,267	380	1,520	697	254	317	443	634	6,335
Photocopies	69	31	153	46	184	84	31	408	54	120	1,180
Postage and shipping	1,264	3,651	2,767	1,078	12,102	19,041	563	1,894	750	5,065	48,175
Printing and publications	801	16,924	5,767	566	25,972	38,101	679	1,064	217	15,451	105,542
Professional and management fees	1,612	3,055	5,329	1,128	65,592	12,940	1,523	35,442	1,557	32,020	160,198
Supplies	123	54	272	82	869	150	106	87	39	2,020	3,802
Telephone	174	97	345	128	522	205	97	77	108	889	2,642
Travel, meals and lodging	15,880	6,253	7,504	5,008	56,905	6,282	12,779	-	2,106	3,028	115,745
Other	1,959	2,319	1,663	961	9,355	642	1,906	125	4,055	1,174	24,159
	<u>\$89,711</u>	<u>\$56,272</u>	<u>\$74,702</u>	<u>\$34,338</u>	<u>\$389,021</u>	<u>\$121,389</u>	<u>\$215,441</u>	<u>\$56,490</u>	<u>\$29,164</u>	<u>\$161,133</u>	<u>\$1,227,661</u>

See accompanying notes

THE AMERICAN PHILOLOGICAL ASSOCIATION

STATEMENTS OF CASH FLOWS

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$(249,479)	\$ 578,370
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Net realized and unrealized loss on investments	780,894	772,536
Depreciation	6,456	5,861
Contributions restricted for long-term purposes	(676,562)	(690,674)
Amortization of discount on grants and contributions receivable	(41,725)	-
(Increase) decrease in		
Accounts receivable	165,456	(178,527)
Inventory	1,131	1,157
Prepaid expenses and deposits	(2,300)	2,218
Increase (decrease) in		
Accounts payable and accrued expenses	19,985	(58,296)
Fellowships payable	23,400	(11,000)
Deferred revenue	<u>(12,657)</u>	<u>17,396</u>
Net cash provided by operating activities	<u>14,599</u>	<u>439,041</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investments	(690,615)	(730,011)
Purchase of equipment	<u>(4,112)</u>	<u>(16,137)</u>
Net cash used for investing activities	<u>(694,727)</u>	<u>(746,148)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	-	(27,600)
Proceeds from contributions received for long-term purposes	<u>777,354</u>	<u>443,799</u>
Net cash provided by financing activities	<u>777,354</u>	<u>416,199</u>
Net increase in cash	97,226	109,092
CASH		
Beginning of year	<u>188,108</u>	<u>79,016</u>
End of year	<u>\$ 285,334</u>	<u>\$ 188,108</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ 1,380</u>

See accompanying notes

THE AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

(1) NATURE OF OPERATIONS

The American Philological Association (the "**Association**") is a nonprofit organization founded in 1869 by "professors, friends and patrons of linguistic science." It is now the principal learned society in North America for the study of ancient Greek and Roman languages, literatures and civilizations. While the majority of its members are university and college classics teachers and libraries, members also include scholars in other disciplines, primary and secondary school teachers and interested lay people. For over a century, this community has relied on the Association to produce several series of scholarly books and texts; the journal, *Transactions of the American Philological Association*; and an annual meeting in conjunction with the Archaeological Institute of America, another nonprofit organization. In addition, the Association fosters programs to reassert the importance of primary and secondary school teaching and provide more support for improved pedagogy at all levels of teaching; improves working conditions and scholarly opportunities for university and college teachers; increases communication with audiences beyond its membership; makes sure the Association's research program is appropriate for the needs of the profession; and coordinates and systematizes data collection in order to provide an accessible and reliable information base to support Association goals.

The Association is now conducting a capital campaign to raise an Endowment for Classics Research and Teaching that will enable it to create sophisticated and accessible research tools for classics teachers and scholars; develop the next generation of inspired, diverse teachers of classics and classical languages; and support wider public understanding and appreciation of classical civilization. The goal of the capital campaign is to raise \$4 million through July 31, 2011.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Association and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "**net assets released from restrictions.**"

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that neither expire by passage of time, nor can be satisfied by actions of the Association.

Accounting Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

Fair Value Measurements of Assets and Liabilities

Effective July 1, 2008, the Association adopted a new accounting standard regarding fair value measurements. Under the new accounting standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The new accounting standard establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Association. Unobservable inputs reflect the Association's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are unobservable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Association's own assumptions.

Concentration of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk are cash and accounts receivable. The Association maintains its cash at various high-quality financial institutions. At times, these deposits may exceed federally insured limits. The composition of grants and contributions is disclosed in Note 3. Other accounts receivable consist primarily of membership dues, royalties and placement fees.

Inventory

Inventory is reported at cost using the first-in, first-out method and consists primarily of books.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, as determined by quoted market prices, with gains and losses included in the statement of activities. Dividend and interest income is recorded as earned. Restricted investment income whose restrictions are satisfied in the same period are reported as unrestricted.

The Association invests in a professionally managed portfolio that includes various types of securities (**See Note 4**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Equipment

The Association capitalizes expenditures for equipment in excess of \$500. Equipment is reported at cost if purchased, or at fair value on the date of donation if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets.

THE AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

Fellowships Payable

Unconditional fellowships authorized but unpaid at year-end are reported as liabilities. The fellowships payable at June 30, 2009 are expected to be paid in 2010. The fellowships payable at June 30, 2008 were paid in 2009.

Membership Dues

Membership dues are recognized as revenue in the year to which they relate. Accordingly, membership dues received in advance of the applicable year are included in deferred revenue in the accompanying statement of financial position.

Grants and Contributions

Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted grants and contributions whose restrictions are satisfied in the same period are reported as unrestricted.

Unconditional grants and contributions are recognized as revenue when the related promise to give is received. Conditional grants and contributions are recognized as revenue when the conditions are satisfied.

The Association receives a significant amount of donated time from a substantial number of volunteers without compensation for its various program and supporting services. The financial statements do not reflect the value of these contributed services since they do not meet the criteria for recognition.

Annual Meeting

The Association holds its annual meeting with another learned society, the Archaeological Institute of America ("**AIA**"). Registrants pay a single registration fee and may attend sessions organized by either society. The Association administers registration and the overall meeting schedule; AIA administers the exhibit show and certain joint events. Revenue from registration fees and the exhibit show and certain expenses are shared equally by the two societies. However, each society is individually responsible for the costs of putting on its own sessions and also retains all revenue for its own publications or special events. These financial statements include the joint activities that are shared by the two societies and the Association's separate activities that occur during the annual meeting. AIA's share of the joint activities is reported as "**cosponsor share of joint revenue**" in the accompanying statements of functional expenses.

Special Projects

During 2008, the Association received a grant of \$48,000 from the Andrew W. Mellon Foundation to support planning for improvements to the user interface of the online version of *L'Annee Philologique*. This project commenced in 2009 and was completed in 2009.

All costs attributable to these projects are categorized as a "**Special Projects**" expense in the statements of activities and functional expenses.

Functional Allocation of Expenses

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

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and no provision or liability for income taxes is included in the accompanying financial statements.

THE AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

Effective January 1, 2009, the Association adopted a new accounting standard regarding uncertain tax positions. The new standard prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Association believes that it had no uncertain tax positions as defined in the standard and, as a result, the adoption of the new standard had no impact on the Association's financial statements.

(3) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Grants receivable from the National Endowment for the Humanities	\$273,450	\$395,200
Contributions receivable from individuals for the Endowment for Classics Research and Teaching (<i>See Note 7</i>)	<u>340,693</u>	<u>441,214</u>
	<u>\$614,143</u>	<u>\$836,414</u>

The grants and contributions receivable are expected to be collected as follows:

In less than one year	\$317,034	\$283,474
In one to five years	<u>329,034</u>	<u>626,590</u>
	646,068	910,064
Less discount to present value (at 6% for contributions receivable and 4% for grants receivable)	<u>(31,925)</u>	<u>(73,650)</u>
	<u>\$614,143</u>	<u>\$836,414</u>

The Association has also received conditional grants from the National Endowment for the Humanities in the amount of \$190,000. The Association must raise matching contributions of \$1,510,000 by July 31, 2011 in order to receive these grants.

(4) INVESTMENTS

Investments at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Mutual funds		
Equity	\$2,141,223	\$1,837,384
Fixed income	<u>1,810,163</u>	<u>2,204,281</u>
	<u>\$3,951,386</u>	<u>\$4,041,665</u>

Investment income for the year ended June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 131,050	\$ 546,322
Net realized and unrealized loss	<u>(780,894)</u>	<u>(772,536)</u>
	<u>\$ (649,844)</u>	<u>\$ (226,214)</u>

THE AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

(5) NOTE PAYABLE

In connection with the Association's "Barrington Atlas of the Greek and Roman World" project, the Association executed a note payable to the project director in the amount of \$108,000. The note was payable in four annual installments from October 2004 to October 2007, plus interest on the final three installments at the lesser of 5% or the prime rate. The note was paid off during 2008.

(6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 consisted of grants and contributions and investment income restricted for the following purposes:

	<u>2009</u>				
	<u>Balance July 1, 2008</u>	<u>Grants and Contributions</u>	<u>Investment Loss</u>	<u>Released from Restriction</u>	<u>Balance June 30, 2009</u>
Professional matters	\$ 260,079	\$ -	\$ (53,953)	\$ (32,613)	\$ 173,513
Publications	510,886	25,000	(110,360)	(2,021)	423,505
Fellowships	457,066	5,350	(97,068)	(56,499)	308,849
Improvements to the user interface of the online version of L'Annee Philologique American Office of L'Annee Philologique	48,000	-	-	(48,000)	-
	<u>301,634</u>	<u>18,400</u>	<u>-</u>	<u>(131,149)</u>	<u>188,885</u>
	<u>\$1,577,665</u>	<u>\$48,750</u>	<u>\$(261,381)</u>	<u>\$(270,282)</u>	<u>\$1,094,752</u>
	<u>2008</u>				
	<u>Balance July 1, 2007</u>	<u>Grants and Contributions</u>	<u>Investment Loss</u>	<u>Released from Restriction</u>	<u>Balance June 30, 2008</u>
Professional matters	\$ 314,553	\$ -	\$ (20,159)	\$ (34,315)	\$ 260,079
Publications	557,015	-	(41,234)	(4,895)	510,886
Fellowships	439,427	98,750	(39,580)	(41,531)	457,066
Improvements to the user interface of the online version of L'Annee Philologique American Office of L'Annee Philologique	-	48,000	-	-	48,000
Research and teaching	122,734	301,634	-	(122,734)	301,634
	<u>7,250</u>	<u>-</u>	<u>(7,250)</u>	<u>-</u>	<u>-</u>
	<u>\$1,440,979</u>	<u>\$448,384</u>	<u>\$(108,223)</u>	<u>\$(203,475)</u>	<u>\$1,577,665</u>

THE AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

(7) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Pearson bequest – income is restricted for fellowships	\$ 204,150	\$ 204,150
Goodwin bequest – income is unrestricted	60,728	60,728
Coffin Fellowship – income is restricted for fellowships	61,679	61,679
Endowment for Classics Research and Teaching – income is restricted for purposes described in Note 1	1,706,226	1,029,664
The American Philological Association Campaign – income is:		
Restricted for publications	112,563	112,563
Restricted for professional matters	55,030	55,030
Unrestricted	<u>82,545</u>	<u>82,545</u>
	<u>\$2,282,921</u>	<u>\$1,606,359</u>

The Association's permanently restricted net assets include contributions, the principal of which must be maintained intact as required by the donors.

The Association has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. The investment policy establishes an achievable return objective through diversification of asset classes within prudent risk parameters.

The spending policy calculates the amount of annual distributions from the permanently restricted endowment funds to support various programs. The current spending policy generally provides for a distribution in an amount equal to 0% to 5% of a moving three-year average of the fair value of the endowment funds. The actual percentage depends on current economic conditions and the scope of the Association's programs.

The Association has not developed a spending policy for and has not made any distributions from its Endowment for Classics Research and Teaching since the capital campaign for this endowment is still in progress. The first distribution is anticipated to be made in 2012.

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donors require the Association to retain for perpetual duration. Deficiencies in the Coffin Fellowship were \$3,238 as of June 30, 2009. Deficiencies in the Endowment for Classics Research and Teaching were \$130,945 and \$17,940 as of June 30, 2009 and 2008, respectively. All deficiencies have been reported in unrestricted net assets. The deficiencies resulted from unfavorable market fluctuations that occurred during 2009 and 2008.

(8) OPERATING LEASE

The Association leases office facilities from the University of Pennsylvania under a noncancelable lease that has expired. The Association and the University of Pennsylvania are currently negotiating a new lease agreement. Rent expense for these facilities was \$6,525 for 2009 and \$6,335 for 2008.

(9) PENSION PLAN

The Association participates in a defined contribution plan through the University of Pennsylvania. For an eligible employee's contribution of 5% of annual salary, the Association contributes 9% of an employee's salary to the plan. Total pension expense was \$18,963 for 2009 and \$18,330 for 2008.

THE AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

(10) COMMITMENTS

The Association and AIA have entered into agreements with hotels providing room accommodations for its annual meetings from 2010 through 2012. These agreements include a guarantee by the Association that a minimum number of rooms will be rented by meeting attendees. The Association and AIA intend to hold the annual meeting at the scheduled hotels.

(11) ASSETS MEASURED AT FAIR VALUE

The following table presents information about the Association's assets that are measured at fair value and the valuation inputs used to value them:

<u>Description</u>	<u>Balance December 31, 2009</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	\$3,951,386	\$3,951,386	\$ -	\$ -
Grants and contributions receivable	<u>614,143</u>	<u>-</u>	<u>614,143</u>	<u>-</u>
	<u>\$4,565,529</u>	<u>\$3,951,386</u>	<u>\$614,143</u>	<u>\$ -</u>

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 23, 2010, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2009 that required recognition or disclosure in the financial statements.