



Financial Statements with Independent Auditor's Report American Philological Association June 30, 2002 and 2001

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the American Philological Association:

We have audited the accompanying statements of financial position of the American Philological Association as of June 30, 2002 and 2001, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 as of June 30, 2002 and 2001 and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Brooks, McGinnis & Company, LLC
Atlanta, Georgia
February 11, 2003

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STATEMENTS OF FINANCIAL POSITION - Years Ended June 30, 2002 and 2001

ASSETS	2002	2001
Assets		
Cash and cash equivalents	\$ 48,004	\$ 31,315
Marketable securities	3,057,185	3,113,379
Grants receivable	183,548	82,730
Accounts receivable	63,716	115,627
Due from the Archaeological Institute of America	1,866	18,664
Prepaid expenses, deposits and advances	38,236	23,159
Loan receivable	-	72,000
Inventory	27,510	34,307
Equipment, net of accumulated depreciation of \$9,182 and \$4,286	9,147	10,932
	<u>\$3,429,212</u>	<u>\$3,502,113</u>
Total assets		
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 24,449	\$ 39,962
Accounts payable - University of Pennsylvania	6,133	14,968
Accounts payable - Scholars Press	-	6,121
Accrued vacation payable	11,177	11,100
Deferred revenue	81,340	62,038
Total liabilities	123,099	134,189
Commitments and contingencies		
Net assets:		
Unrestricted:		
Available for operations	6,290	122,018
Expended on equipment, net	9,147	10,932
Expended on inventory for resale	27,510	34,307
Designated for investment	1,660,599	1,620,512
Total unrestricted assets	1,703,546	1,787,769
Temporarily restricted	1,087,551	1,065,139
Permanently restricted	515,016	515,016
Total net assets	3,306,113	3,367,924
Total liabilities and net assets	<u>\$ 3,429,212</u>	<u>\$ 3,502,113</u>

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

STATEMENTS OF ACTIVITIES - Years Ended June 30, 2002 and 2001

	2002	2001
Changes in unrestricted net assets:		
Revenues and gains:		
Membership dues	\$ 165,187	\$ 156,842
APA Annual meeting revenue	175,640	151,587
Investment income	41,126	28,742
Contributions	50,722	24,220
Publication and software sales	17,162	19,546
Placement service	38,426	37,707
Royalties	37,934	54,386
Other income	19,439	22,479
Total unrestricted revenues and gains	545,636	495,509
Net assets released from restrictions	266,077	225,247
Total unrestricted revenues, gains and support	\$ 811,713	\$ 720,756
Expenses:		
Program expenses:		
Education	\$ 33,568	\$ 33,444
Governance	83,127	83,735
Outreach	32,613	22,557
Placement	59,633	59,328
Professional matters	16,651	20,127
Annual meeting	233,667	223,495
Publications	103,048	95,826
Research	223,933	150,062
Total program expenses	785,240	688,574
General and administration	110,696	102,387
Total expenses	895,936	790,961
Decrease in unrestricted net assets	\$ (84,223)	\$ (70,205)
Changes in temporarily restricted net assets:		
Contributions	\$ 29,472	\$ 6,750
National Endowment for the Humanities grants	225,298	9,205
Investment income	33,719	15,939
Net assets released from restrictions	(266,077)	(225,247)
Increase (decrease) in temporarily restricted net assets	22,412	(193,353)
Decrease in net assets	(61,811)	(263,558)
Net assets at beginning of year	3,367,924	3,631,482
Net assets at end of year	3,306,113	3,367,924

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

STATEMENT OF FUNCTIONAL EXPENSES - Year Ended June 30, 2002

	Education	Governance	Outreach	Placement	Prof. Matters	Annual Mng.	Publications	Research	Total Programs	Gen'l. & Admin.	TOTAL
Salaries / benefits	\$ 20,492	\$ 23,838	\$ 14,972	\$ 33,954	\$ 11,169	\$ 45,918	\$ 24,870	\$ 110,154	\$ 285,367	\$ 37,772	\$ 323,139
Grants / awards	4,150	1,550	1,000			900	5,500	105,975	119,075	25,000	144,075
Printing / publications	1,458	3,890	6,651	3,518	204	19,073	47,749	190	82,733	571	83,304
Professional and management fees	43	388	1,438	1,107		54,399	756	171	58,302	33,641	91,943
Accounting fees	1,122	1,122	701	2,805	701	3,085	1,683	701	11,920	2,103	14,023
Bank service fees	24			769		5,180	61		6,034	479	6,513
Supplies	220	220	444	550	137	2,119	568	138	4,396	413	4,809
Telephone	189	554	124	483	271	1,832	283	892	4,628	355	4,983
Photocopies	123	123	77	307	95	409	184	296	1,614	231	1,845
Postage / shipping	773	2,030	1,977	2,583	627	9,295	17,269	655	35,209	1,450	36,659
Occupancy	424	424	265	1,061	265	2,163	637	266	5,505	796	6,301
Insurance	301	14,101	188	752	188	1,540	451	188	17,709	564	18,273
Equipment rental / maintenance	134	134	84	4,551	84	10,408	201	221	15,817	625	16,442
Travel / airfare	350	11,357	1,159	83	522	5,704	353	1,706	20,881	1,755	22,636
Meals	1,500	7,422	1,438	2,086	2,083	49,311	353	1,075	65,268	726	65,994
Lodging	431	13,001	789	925	245	5,693	297	825	21,961	1,699	23,660
Depreciation	392	392	245	979	245	1,077	587	245	4,162	734	4,896
Bad debt expense				300			1,150		1,450		1,450
Other	1,442	2,581	1,061	1,820	60	15,561	449	235	23,209	1,782	24,991
Total expenses	\$ 33,568	\$ 83,127	\$ 32,613	\$ 58,633	\$ 16,651	\$ 233,667	\$ 103,048	\$ 223,933	\$ 785,240	\$ 110,696	\$ 895,936

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

STATEMENT OF FUNCTIONAL EXPENSES - Year Ended June 30, 2001

	<u>Education</u>	<u>Governance</u>	<u>Outreach</u>	<u>Placement</u>	<u>Prof. Matters</u>	<u>Annual Mtg.</u>	<u>Publications</u>	<u>Research</u>	<u>Programs</u>	<u>Gen'l. & Admin.</u>	<u>TOTAL</u>
Salaries / benefits	\$ 20,954	\$ 24,131	\$ 15,126	\$ 35,427	\$ 11,433	\$ 47,554	\$ 25,551	\$ 100,973	\$ 281,149	\$ 27,409	\$ 308,558
Grants / awards	4,450	500	500			900	5,100	37,184	48,634	25,000	73,634
Printing / publications	292	3,818	121	3,480	121	20,004	32,639	519	60,994	365	61,359
Professional and management fees	33	33	41	1,083	2,500	43,122	1,409	21	48,242	30,883	79,125
Accounting fees	1,076	1,076	673	2,690	673	2,959	1,614	672	11,433	2,017	13,450
Bank service fees	17			793		3,526	121	37	4,494	227	4,721
Supplies	236	237	148	591	148	1,611	355	521	3,847	983	4,830
Telephone	263	466	847	995	326	1,421	330	576	5,224	413	5,637
Photocopies	129	129	81	324	81	1,387	184	81	2,396	244	2,640
Postage / shipping	998	2,233	661	2,799	755	10,621	21,473	653	40,193	1,870	42,063
Occupancy	412	412	258	1,030	258	2,808	618	257	6,053	772	6,825
Insurance	243	14,603	152	608	152	2,401	365	152	18,676	457	19,133
Equipment rental / maintenance	449	450	280	2,667	280	6,475	2,675	737	14,013	1,605	15,618
Travel / airfare	450	15,748	1,017	1,250	282	9,226	1,167	3,203	32,343	4,878	37,221
Meals	1,747	7,367	1,124	1,176	2,922	42,851	361	1,114	58,662	1,196	59,858
Lodging	170	9,726	1,076	2,001		5,070	986	1,556	20,585	2,260	22,845
Depreciation	225	225	141	562	141	619	337	140	2,390	422	2,812
Other	1,300	2,581	311	1,852	55	20,940	541	1,666	29,246	1,386	30,632
	<u>\$ 33,444</u>	<u>\$ 83,735</u>	<u>\$ 22,557</u>	<u>\$ 59,328</u>	<u>\$ 20,127</u>	<u>\$ 223,495</u>	<u>\$ 95,826</u>	<u>\$ 150,062</u>	<u>\$ 688,574</u>	<u>\$ 102,387</u>	<u>\$ 790,961</u>

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

STATEMENTS OF CASH FLOWS - Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities		
Decrease in net assets	\$ (61,811)	\$ (263,558)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	4,896	2,812
Realized (gain) loss on marketable securities	(1,594)	(7,977)
Unrealized (gain) loss on marketable securities	95,589	232,871
Forgiveness of loan receivable	72,000	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	51,911	(90,867)
Due from - Archaeological Institute of America	16,798	(9,330)
Prepaid expenses, deposits and advances	(15,077)	(4,312)
Grants receivable	(100,818)	120,450
Inventory	6,797	(2,561)
Increase (decrease) in:		
Accounts payable	(30,469)	(2,738)
Accrued vacation payable	77	5,558
Deferred revenue	19,302	7,212
Total adjustments	119,412	251,118
Net cash provided by (used in) operating activities	57,601	(12,440)
Cash flows from investing activities:		
Purchase of equipment	(3,111)	(6,915)
Principal advances on loan receivable	-	(147,000)
Principal payments on loan receivable	-	75,000
Purchases of marketable securities	(167,801)	(265,094)
Proceeds from sale of marketable securities	130,000	352,000
Net cash provided by (used in) investing activities	(40,912)	7,991
Net increase (decrease) in cash and cash equivalents	16,689	(4,449)
Cash and cash equivalents at beginning of year	31,315	35,764
Cash and cash equivalents at end of year	\$ 48,004	\$ 31,315

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

1. Nature of Organization and Significant Accounting Policies

Nature of Operations

The American Philological Association (the Association) is a nonprofit organization established to promote the advancement and diffusion of philological knowledge. Membership in the Association is composed of scholars and teachers throughout the world, with numerous universities and libraries subscribing to the journal and other publications of the Association.

Method of Reporting

The Association's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America. The Association has previously implemented Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets or permanently restricted net assets based on stipulations made by the donor. Although the Association continues to maintain its internal financial statements and general ledger on a fund accounting basis, its external financial statements are presented in accordance with SFAS No. 117.

Donations and Contributions

The Association has also previously implemented SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, promulgated by the Financial Accounting Standards Board. In accordance with SFAS No. 116, unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions which limit the use of the donated assets.

Cash and Cash Equivalents and Concentration of Credit Risk

The Association considers all highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of primarily demand deposits with a single financial institution. The balances in the Association's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation up to \$100,000. All cash and cash equivalents at June 30, 2002 and 2001 were unrestricted.

Inventory

Inventory is stated at cost using the first-in, first-out (FIFO) method. Inventory includes books and software.

1. Nature of Organization and Significant Accounting Policies - Continued

Marketable Securities

In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, all marketable securities with a readily determinable market value are reported at fair market value with gains and losses included in the statement of activities.

Equipment

The Association's policy is to capitalize equipment expenditures in excess of \$500. Equipment is stated at cost. Depreciation is recorded using the straight-line method over an estimated useful life of three to five years.

Deferred Revenue

Deferred revenue represents primarily membership fees and subscriptions paid in advance by the Association's members during the current period for subsequent periods' dues and subscriptions.

Income Taxes

Under Internal Revenue Code Section 501(c)(3), the Association is exempt from income taxes. Accordingly, no provision for federal and state income taxes is required.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statement of activities, as well as the statement of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited as required by SFAS No. 117.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification of Amounts

Certain amounts previously reported have been reclassified to conform to the current year financial statement presentation.

NOTES TO FINANCIAL STATEMENTS - June 30, 2002 and 2001

2. Grants Receivable

Grants receivable consist of grants from the National Endowment for the Humanities. Substantially all of this receivable is restricted for the operation of the American Office of *L'Année Philologique*.

3. Marketable Securities

Marketable securities consist of the following mutual funds at June 30:

<u>2002</u>	Value Before Current Gain (Loss)	Unrealized Gain (Loss)	Market Value
Standish Fixed Income Fund	\$ 2,681,769	\$ 12,732	\$ 2,694,501
Standish Small Capital Growth Fund	471,005	(108,321)	362,684
Balance at end of year	<u>\$ 3,152,774</u>	<u>\$ (95,589)</u>	<u>\$ 3,057,185</u>
<u>2001</u>			
Standish Fixed Income Fund	\$ 2,591,994	\$ 50,381	\$ 2,642,375
Standish Small Capital Growth Fund	754,256	(283,252)	471,004
Balance at end of year	<u>\$ 3,346,250</u>	<u>\$ (232,871)</u>	<u>\$ 3,113,379</u>

4. Investment Income (Loss)

Investment income (loss) represents the following at June 30:

<u>2002</u>	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 119,744	\$ 49,096	\$ 168,840
Realized gain	1,139	455	1,594
Unrealized loss	(79,757)	(15,832)	(95,589)
	<u>\$ 41,126</u>	<u>\$ 33,719</u>	<u>\$ 74,845</u>
<u>2001</u>			
Interest and dividends	\$ 172,674	\$ 96,901	\$ 269,575
Realized loss	5,105	2,872	7,977
Unrealized gain	(149,037)	(83,834)	(232,871)
	<u>\$ 28,742</u>	<u>\$ 15,939</u>	<u>\$ 44,681</u>

NOTES TO FINANCIAL STATEMENTS - June 30, 2002 and 2001

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of funds the Association has received subject to donor imposed restrictions consisting of the following at June 30:

	2002	2001
Program restrictions:		
Professional matters	\$ 242,721	\$ 234,613
Publications	387,793	476,332
Research:		
Thesaurus Linguae Latinae	1,548	9,023
American Office of L'Année Philologique	204,433	78,265
Total program restrictions	836,495	798,233
Other restrictions:		
General & administration - Pearson Fellowship	251,056	266,906
Temporarily restricted net assets	\$ 1,087,551	\$ 1,065,139

6. Net Assets Released from Restrictions

The following net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30:

	2002	2001
Program restrictions:		
Professional matters:	\$ 16,650	\$ 22,572
Publications:		
Publications	16,350	45,828
Classical Atlas	72,000	-
Research:		
American Office of L'Année Philologique	99,933	96,377
Thesaurus Linguae Latinae	32,878	32,755
Total program releases from restrictions	237,811	197,532
Other releases from restrictions:		
General & administration - Pearson Fellowship	25,000	25,220
Other awards and scholarships	3,266	2,495
Net assets released from restrictions	\$ 266,077	\$ 225,247

NOTES TO FINANCIAL STATEMENTS - June 30, 2002 and 2001

7. Permanently Restricted Net Assets

Permanently restricted net assets represent funds that must remain invested in perpetuity. The origin and restrictions, if any, on income of the permanently restricted net asset balance is summarized as follows at June 30:

	<u>2002</u>	<u>2001</u>
Pearson bequest - income is restricted to fund the Pearson Fellowship	\$ 204,150	\$ 204,150
Goodwin bequest - income is unrestricted	60,728	60,728
American Philological Association		
Challenge Campaign - income is restricted for the following:		
Publications	112,563	112,563
Professional matters	55,030	55,030
General & administrative	<u>82,545</u>	<u>82,545</u>
Permanently restricted net assets	<u>\$ 515,016</u>	<u>\$ 515,016</u>

8. Operating Lease

The Association currently leases office space and certain equipment. These leases are accounted for as operating leases and extend through 2006. Rent paid on these leases for the years ended June 30, 2002 and 2001 was \$6,361 and \$10,257, respectively.

The following is a schedule of future minimum rental payments required as of June 30, 2002:

<u>Year ending June 30,</u>	
2003	\$ 6,520
2004	6,684
2005	1,056
2006	<u>528</u>
	<u>\$ 14,788</u>

9. Pension Plan

The Association participates in a TIAA-CREF (Teacher's Insurance and Annuity Association and/or College Retirement Equities Fund) defined contribution plan through the University of Pennsylvania. For an eligible employee's contribution of 5% of annual salary, the Association annually contributes 9% to the plan. Total pension expense for the years ended June 30, 2002 and 2001 was approximately \$16,000 and \$15,000, respectively.

10. Subsequent Event

Subsequent to June 30, 2002, the Board of Directors approved a contribution to the Classical Atlas project totaling approximately \$143,000, to be paid out over the next three years.