

AMERICAN PHILOLOGICAL ASSOCIATION

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2003 AND 2002

AMERICAN PHILOLOGICAL ASSOCIATION

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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, 2003 and 2002, 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, 2003 and 2002 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 10, 2004

AMERICAN PHILOLOGICAL ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2003 AND 2002

	2003	2002
ASSETS		
Cash and cash equivalents	\$ 57,761	\$ 48,004
Accounts receivable	32,470	63,716
Due from the Archeological Institute of America	6,424	1,866
Prepaid expenses, deposits and advances	41,448	38,236
Grants receivable	179,000	183,548
Inventory	21,521	27,510
Marketable securities	3,188,627	3,057,185
Equipment, net of accumulated depreciation of \$13,230 and \$9,182	5,099	9,147
Total assets	\$ 3,532,350	\$ 3,429,212
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 50,379	\$ 24,449
Honoraria payable - Classical Atlas Project	66,134	-
Accounts payable - University of Pennsylvania	13,095	6,133
Accounts payable - University of Cincinnati	8,821	-
Accrued vacation payable	13,416	11,177
Deferred revenue	94,962	81,340
Total liabilities	246,807	123,099
Commitments and contingencies		
Net assets:		
Unrestricted:		
Available for (deficit from) operations	(33,132)	6,290
Expended on equipment, net	5,099	9,147
Expended on inventory for resale	21,521	27,510
Designated for investment	1,737,297	1,660,599
Total unrestricted net assets	1,730,785	1,703,546
Temporarily restricted	1,039,742	1,087,551
Permanently restricted	515,016	515,016
Total net assets	3,285,543	3,306,113
Total liabilities and net assets	\$ 3,532,350	\$ 3,429,212

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

AMERICAN PHILOLOGICAL ASSOCIATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
Changes in unrestricted net assets:		
Revenues and gains:		
Membership dues	\$ 197,888	\$ 165,187
APA Annual meeting revenue	164,306	175,640
Investment income	189,734	41,126
Contributions	24,245	50,722
Publication and software sales	36,868	17,162
Placement service	43,114	38,426
Royalties	23,839	37,934
Other income	20,312	19,439
Total unrestricted revenues and gains	700,306	545,636
Net assets released from restrictions	323,417	266,077
Total unrestricted revenues, gains and support	1,023,723	811,713
Expenses:		
Program expenses:		
Education	36,987	33,568
Governance	77,350	83,127
Outreach	37,567	32,613
Placement	64,841	58,633
Professional matters	18,948	16,651
Annual meeting	241,648	233,667
Publications	98,172	103,048
Research	319,510	223,933
Total program expenses	895,023	785,240
General and administration	101,461	110,696
Total expenses	996,484	895,936
Increase (decrease) in unrestricted net assets	27,239	(84,223)

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

AMERICAN PHILOLOGICAL ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2003

	Education	Governance	Outreach	Placement	Professional Matters	Annual Meeting	Publications	Research	Total Programs	General and Administration	Total
Salaries and benefits	\$ 21,942	\$ 25,404	\$ 15,935	\$ 36,071	\$ 11,848	\$ 49,435	\$ 26,388	\$ 119,335	\$ 306,358	\$ 23,175	\$ 329,533
Grants, awards and honorariums	5,750	1,550	1,000			900	9,062	178,980	197,242	26,231	223,473
Printing and publications	959	2,819	9,407	4,539	165	21,988	38,344	224	78,445	312	78,757
Professional and management fees	8	381	2,249	1,336	5	62,522	2,950	5,926	75,377	33,724	109,101
Accounting fees	1,185	1,185	740	2,962	740	3,258	1,777	740	12,587	2,221	14,808
Bank service fees	28			958		5,132	495	80	6,693	434	7,127
Supplies	114	114	109	286	72	1,659	172	240	2,766	411	3,177
Telephone	146	382	99	1,699	294	2,555	219	765	6,159	465	6,624
Photocopies	121	121	76	304	76	1,751	182	84	2,715	518	3,233
Postage and shipping	1,080	2,422	2,911	3,241	804	9,088	14,233	828	34,607	3,710	38,317
Occupancy	437	437	273	1,093	273	1,202	656	273	4,644	820	5,464
Insurance	257	16,552	160	643	161	2,208	386	161	20,528	483	21,011
Equipment rental and maintenance	146	146	91	3,560	91	17,866	219	719	22,838	455	23,293
Travel and airfare	476	7,078	763	706	903	7,604	390	5,984	23,904	1,856	25,760
Meals	2,278	7,950	1,187	2,393	2,302	39,208	624	2,330	58,272	708	58,980
Lodging	235	7,927	1,015	3,119	731	6,410	916	2,432	22,785	2,474	25,259
Depreciation	324	324	202	810	202	891	485	202	3,440	608	4,048
Other	1,501	2,558	1,350	1,121	281	7,971	674	207	15,663	2,856	18,519
Total expenses	\$ 36,987	\$ 77,350	\$ 37,567	\$ 64,841	\$ 18,948	\$ 241,648	\$ 98,172	\$ 319,510	\$ 895,023	\$ 101,461	\$ 996,484

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

AMERICAN PHILOLOGICAL ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2002

	Education	Governance	Outreach	Placement	Professional Matters	Annual Meeting	Publications	Research	Total Programs	General and Administration	Total
Salaries and benefits	\$ 20,492	\$ 23,838	\$ 14,972	\$ 33,954	\$ 11,169	\$ 45,918	\$ 24,870	\$ 110,154	\$ 285,367	\$ 37,772	\$ 323,139
Grants and awards	4,150	1,550	1,000			900	5,500	105,975	119,075	25,000	144,075
Printing and 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 and 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 and maintenance	134	134	84	4,551	84	10,408	201	221	15,817	625	16,442
Travel and airfare	350	11,357	1,159	83	522	5,704		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		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.

AMERICAN PHILOLOGICAL ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
Cash flows from operating activities:		
Decrease in net assets	\$ (20,570)	\$ (61,811)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,048	4,896
Realized (gain) loss on marketable securities	(20,430)	(1,594)
Unrealized (gain) loss on marketable securities	(240,652)	95,589
Forgiveness of loan receivable	-	72,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	31,246	51,911
Due from - Archeological Institute of America	(4,558)	16,798
Prepaid expenses, deposits and advances	(3,212)	(15,077)
Grants receivable	4,548	(100,818)
Inventory	5,989	6,797
Increase (decrease) in:		
Accounts payable	41,713	(30,469)
Honoraria payable	66,134	-
Accrued vacation payable	2,239	77
Deferred revenue	13,621	19,302
Total adjustments	(99,314)	119,412
Net cash provided by (used in) operating activities	(119,884)	57,601
Cash flows from investing activities:		
Purchase of equipment	-	(3,111)
Purchases of marketable securities	(937,376)	(167,801)
Proceeds from sale of marketable securities	1,067,017	130,000
Net cash provided by (used in) investing activities	129,641	(40,912)
Net increase in cash and cash equivalents	9,757	16,689
Cash and cash equivalents, beginning of year	48,004	31,315
Cash and cash equivalents, end of year	\$ 57,761	\$ 48,004

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

AMERICAN PHILOLOGICAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

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 prepares its financial statements on the accrual basis of accounting.

Financial Statement Presentation

The Association has previously adopted the provisions of 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, temporarily restricted or permanently restricted net assets, based on stipulations made by the donor.

Contributions

The Association has also previously adopted the provisions of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Association records gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

AMERICAN PHILOLOGICAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

1. Nature of Organization and Significant Accounting Policies - Continued

Contributions - Continued

Land held for sale, other assets and marketable securities acquired by gift are recorded at their fair market value on the date of receipt. No amounts have been reflected in the financial statements for donated services; however, a substantial number of volunteers have donated significant amounts of their time in the Association's programs and supporting services. If donated services received either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated, the value of those donated services would be recorded in accordance with SFAS No. 116.

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 (FDIC) up to \$100,000. All cash and cash equivalents at June 30, 2003 and 2002 were unrestricted.

Inventory

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

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.

AMERICAN PHILOLOGICAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

1. Nature of Organization and Significant Accounting Policies - Continued

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.

Advertising

Advertising costs are expensed as incurred.

2. Grants Receivable

Grants receivable consist of grants from the National Endowment for the Humanities. As of June 30, 2003, \$98,500 is restricted for the operation of the American Office of *L'Annee Philologique*, and \$80,500 is restricted for the Thesaurus Linguae Latinae Fellowship. As of June 30, 2002, grants receivable were restricted for operation of the American Office of *L'Annee Philologique*.

AMERICAN PHILOLOGICAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

3. Marketable Securities

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

2003		Market Value
Standish Fixed Income Fund	\$	1,823,671
Standish Small Capital Growth Fund		858,325
Standish High Yield Fund		506,631
Balance at end of year		\$ 3,188,627
2002		
Standish Fixed Income Fund	\$	2,694,501
Standish Small Capital Growth Fund		362,684
Balance at end of year		\$ 3,057,185

4. Investment Income (Loss)

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

2003		Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$	51,837	\$ 45,968	\$ 97,805
Realized gain		10,828	9,602	20,430
Unrealized gain		127,069	113,583	240,652
\$		189,734	\$ 169,153	\$ 358,887
2002				
Interest and dividends	\$	119,744	\$ 49,096	\$ 168,840
Realized gain		1,139	455	1,594
Unrealized loss		(79,757)	(15,832)	(95,589)
\$		41,126	\$ 33,719	\$ 74,845

AMERICAN PHILOLOGICAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

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:

		2003	2002
Program restrictions:			
Professional matters	\$	269,128	\$ 242,721
Publications		321,934	387,793
Research:			
Thesaurus Linguae Latinae		67,000	1,548
American Office of <i>L'Annee Philologique</i>		102,562	204,433
Total program restrictions		760,624	836,495
Other restrictions:			
General and administration - Pearson fellowship		279,118	251,056
Temporarily restricted net assets		\$ 1,039,742	\$ 1,087,551

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:

		2003	2002
Program Restrictions:			
Professional matters	\$	11,878	\$ 16,650
Publications:			
Publications		-	16,350
Classical Atlas		143,590	72,000
Research:			
American Office of <i>L'Annee Philologique</i>		106,571	99,933
Thesaurus Linguae Latinae		31,648	32,878
Total program releases from restrictions		293,687	237,811
Other releases of restrictions:			
General and administration - Pearson fellowship		25,000	25,000
Other awards and scholarships		4,730	3,266
Net assets released from restrictions		\$ 323,417	\$ 266,077

AMERICAN PHILOLOGICAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

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:

	2003	2002
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 and administrative	82,545	82,545
Permanently restricted net assets	\$ 515,016	\$ 515,016

8. Operating Leases

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, 2003 and 2002 was \$6,805 and \$6,361, respectively.

The following is a schedule of future minimum rental payments required as of June 30, 2003:

Year ending June 30,	
2004	\$ 6,684
2005	1,056
2006	528
	\$ 8,268

AMERICAN PHILOLOGICAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

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, 2003 and 2002 was approximately \$16,600 and \$16,000, respectively.