

AMERICAN PHILOLOGICAL ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

AMERICAN PHILOLOGICAL ASSOCIATION

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BRIGGS BUNTING & DOUGHERTY, LLP

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the American Philological Association (a non-profit organization) as of June 30, 2004, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The Association's financial statements as of June 30, 2003 were audited by other auditors whose report dated February 10, 2004 expressed an unqualified opinion on those statements. As discussed in Note 3 to the financial statements, the Association has restated its 2003 financial statements during the current year to correct the amounts of contributions receivable, note payable and fellowships payable. The other auditors reported on the 2003 financial statements before the restatement.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2004 financial statements referred to above present fairly, in all material respects, the financial position of American Philological Association at June 30, 2004, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We also audited the adjustments described in Note 3 that were applied to restate the 2003 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Briggs, Bunting & Dougherty, LLP

**Philadelphia, Pennsylvania
November 19, 2004**

AMERICAN PHILOLOGICAL ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash	\$ 68,933	\$ 57,761
Accounts receivable		
Grants and contributions	267,000	204,000
Other	32,814	38,894
Inventory	19,206	21,521
Prepaid expenses and deposits	36,786	30,448
Investments	3,502,790	3,188,627
Equipment, net of accumulated depreciation of \$17,193 in 2004 and \$13,230 in 2003	<u>3,917</u>	<u>5,099</u>
Total assets	<u>\$3,931,446</u>	<u>\$3,546,350</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Note payable	\$ 108,000	\$ 108,000
Accounts payable and accrued expenses	95,761	151,845
Fellowships payable	65,000	54,000
Deferred revenue	<u>92,307</u>	<u>94,962</u>
Total liabilities	<u>361,068</u>	<u>408,807</u>
NET ASSETS		
Unrestricted	1,802,550	1,730,785
Temporarily restricted	1,252,812	891,742
Permanently restricted	<u>515,016</u>	<u>515,016</u>
Total net assets	<u>3,570,378</u>	<u>3,137,543</u>
Total liabilities and net assets	<u>\$3,931,446</u>	<u>\$3,546,350</u>

See accompanying notes

AMERICAN PHILOLOGICAL ASSOCIATION

STATEMENTS OF ACTIVITIES

Years ended June 30, 2004 and 2003

	2004				2003			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT								
Membership dues	\$ 218,075	\$ -	\$ -	\$ 218,075	\$ 197,888	\$ -	\$ -	\$ 197,888
Grants and contributions	51,648	472,437	-	524,085	24,245	106,455	-	130,700
Annual meeting revenue	254,601	-	-	254,601	223,861	-	-	223,861
Publication sales	31,971	-	-	31,971	36,868	-	-	36,868
Placement service fees	41,064	-	-	41,064	43,114	-	-	43,114
Royalties	34,492	-	-	34,492	23,839	-	-	23,839
Other income	25,674	-	-	25,674	20,312	-	-	20,312
Net assets released from restrictions	303,377	(303,377)	-	-	331,917	(331,917)	-	-
Total revenues and support	960,902	169,060	-	1,129,962	902,044	(225,462)	-	676,582
EXPENSES								
Program expenses								
Education	73,630	-	-	73,630	71,971	-	-	71,971
Outreach	49,506	-	-	49,506	44,692	-	-	44,692
Placement	63,760	-	-	63,760	63,879	-	-	63,879
Professional matters	33,440	-	-	33,440	32,540	-	-	32,540
Annual meeting	358,585	-	-	358,585	316,978	-	-	316,978
Publications	96,435	-	-	96,435	104,959	-	-	104,959
Research	209,361	-	-	209,361	335,135	-	-	335,135
Special projects	96,405	-	-	96,405	-	-	-	-
Supporting services								
Member services	51,545	-	-	51,545	48,590	-	-	48,590
General and administrative	50,114	-	-	50,114	29,578	-	-	29,578
Fundraising	21,014	-	-	21,014	16,217	-	-	16,217
Total expenses	1,103,795	-	-	1,103,795	1,064,539	-	-	1,064,539
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(142,893)	169,060	-	26,167	(162,495)	(225,462)	-	(387,957)
OTHER CHANGES								
Investment income	214,658	192,010	-	406,668	189,734	169,153	-	358,887
CHANGE IN NET ASSETS	71,765	361,070	-	432,835	27,239	(56,309)	-	(29,070)
NET ASSETS								
Beginning of year, as previously reported	1,730,785	891,742	515,016	3,137,543	1,703,546	1,087,551	515,016	3,306,113
Prior period adjustments	-	-	-	-	-	(139,500)	-	(139,500)
Beginning of year, as restated	1,730,785	891,742	515,016	3,137,543	1,703,546	948,051	515,016	3,166,613
End of year	\$1,802,550	\$1,252,812	\$515,016	\$3,570,378	\$1,730,785	\$ 891,742	\$515,016	\$3,137,543

See accompanying notes

AMERICAN PHILOLOGICAL ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2004

	<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	\$27,691	\$17,555	\$38,574	\$19,902	\$ 65,516	\$28,489	\$130,147	\$ -	\$12,813	\$24,310	\$14,177	\$ 379,174
Grants, awards and honoraria	30,210	1,179	-	79	979	5,578	57,868	6,000	-	578	-	102,471
Bank service fees	33	4	922	-	5,579	606	65	105	-	10	513	7,837
Cosponsor share of joint revenue	-	-	-	-	61,452	-	-	-	-	-	-	61,452
Depreciation	370	248	810	248	937	532	249	-	-	569	-	3,963
Equipment rental and maintenance	174	152	2,061	89	22,578	249	116	-	-	943	-	26,362
Insurance	3,039	2,945	627	2,945	6,052	3,164	2,945	-	-	3,257	-	24,974
Occupancy	514	345	1,125	345	1,302	739	346	9,300	-	909	-	14,925
Photocopies	182	122	398	205	1,749	262	148	-	384	321	-	3,771
Postage and shipping	1,158	2,666	3,285	1,128	15,304	14,666	902	-	1,552	1,900	1,390	43,951
Printing and publications	497	13,156	3,343	437	25,638	30,258	536	-	616	636	3,392	78,509
Professional and management fees	1,426	3,029	4,419	973	65,270	4,631	3,590	81,000	36,180	3,337	977	204,832
Supplies	148	119	324	100	1,397	386	170	-	-	261	-	2,905
Telephone	228	182	934	338	3,541	541	828	-	-	368	102	7,062
Travel, meals and lodging	6,138	6,596	5,298	6,073	69,264	5,524	10,242	-	-	8,896	168	118,199
Other	<u>1,822</u>	<u>1,208</u>	<u>1,640</u>	<u>578</u>	<u>12,027</u>	<u>810</u>	<u>1,209</u>	<u>-</u>	<u>-</u>	<u>3,819</u>	<u>295</u>	<u>23,408</u>
	<u>\$73,630</u>	<u>\$49,506</u>	<u>\$63,760</u>	<u>\$33,440</u>	<u>\$358,585</u>	<u>\$96,435</u>	<u>\$209,361</u>	<u>\$96,405</u>	<u>\$51,545</u>	<u>\$50,114</u>	<u>\$21,014</u>	<u>\$1,103,795</u>

AMERICAN PHILOLOGICAL ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2003

	<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	\$24,946	\$15,935	\$36,071	\$18,314	\$ 58,904	\$ 26,388	\$119,334	\$11,848	\$ 4,862	\$12,931	\$ 329,533
Grants, awards and honoraria	30,971	1,221	-	221	1,121	9,284	187,702	-	1,453	-	231,973
Bank service fees	28	-	958	-	5,132	495	80	-	34	400	7,127
Cosponsor share of joint revenue	-	-	-	-	59,555	-	-	-	-	-	59,555
Depreciation	370	248	810	248	937	531	249	-	655	-	4,048
Equipment rental and maintenance	167	112	3,560	112	17,887	240	740	-	475	-	23,293
Insurance	2,622	2,525	643	2,526	4,573	2,750	2,525	-	2,847	-	21,011
Occupancy	499	335	1,093	335	1,264	719	336	-	883	-	5,464
Photocopies	117	79	255	79	1,712	167	85	244	495	-	3,233
Postage and shipping	1,108	3,044	2,547	937	8,630	14,122	961	1,956	3,496	1,516	38,317
Printing and publications	1,277	9,753	4,355	511	22,177	38,625	570	922	567	-	78,757
Professional and management fees	1,417	3,213	4,298	969	66,004	4,951	6,889	33,620	2,548	-	123,909
Supplies	130	125	286	88	1,675	188	257	-	428	-	3,177
Telephone	185	143	1,664	339	2,570	250	808	-	492	173	6,624
Travel, meals and lodging	6,268	6,244	6,218	7,215	56,501	5,209	14,026	-	7,416	902	109,999
Other	1,866	1,715	1,121	646	8,336	1,040	573	-	2,927	295	18,519
	<u>\$71,971</u>	<u>\$44,692</u>	<u>\$63,879</u>	<u>\$32,540</u>	<u>\$316,978</u>	<u>\$104,959</u>	<u>\$335,135</u>	<u>\$48,590</u>	<u>\$29,578</u>	<u>\$16,217</u>	<u>\$1,064,539</u>

See accompanying notes

AMERICAN PHILOLOGICAL ASSOCIATION

STATEMENTS OF CASH FLOWS

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 432,835	\$ (29,070)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	3,963	4,048
Realized gain on investments	(47,040)	(20,430)
Unrealized gain on investments	(244,823)	(240,652)
(Increase) decrease in		
Accounts receivable	(56,920)	31,236
Inventory	2,315	5,989
Prepaid expenses and deposits	(6,338)	7,788
Increase (decrease) in		
Accounts payable and accrued expenses	(56,084)	110,086
Fellowships payable	11,000	(2,500)
Deferred revenue	<u>(2,655)</u>	<u>13,621</u>
Net cash provided by (used for) operating activities	<u>36,253</u>	<u>(119,884)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(214,300)	(937,376)
Proceeds from sale of investments	192,000	1,067,017
Purchase of equipment	<u>(2,781)</u>	<u>-</u>
Net cash provided by (used for) investing activities	<u>(25,081)</u>	<u>129,641</u>
Net increase in cash	11,172	9,757
CASH		
Beginning of year	<u>57,761</u>	<u>48,004</u>
End of year	<u>\$ 68,933</u>	<u>\$ 57,761</u>

See accompanying notes

AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

(1) NATURE OF OPERATIONS

The American Philological Association (the "**Association**") is a non-profit 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. 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; improve working conditions and scholarly opportunities for university and college teachers; increase communication with audiences beyond its membership; make sure the Association's research program is appropriate for the needs of the profession; and coordinate and systematize data collection in order to provide an accessible and reliable information base to support Association goals.

(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 classifies its net assets, revenues, expenses, gains and losses based upon the existence or absence of donor-imposed restrictions 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.

AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

Concentration of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk are cash and cash equivalents 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 4. 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. Gain or loss on sale of securities is determined on the basis of average cost. 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 5**). 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. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets.

Fellowships Payable

Unconditional fellowships authorized but unpaid at year-end are reported as liabilities. The fellowships payable at June 30, 2004 are expected to be paid in 2005.

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.

AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

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. 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 2004, the Association received a grant of \$256,000 from the Andrew W. Mellon Foundation to develop improvements to the database architecture of the online version of *l'Année philologique* and to test the possibility of self-submission of materials to the database by authors and publishers. This project will conclude on June 30, 2006, and it is anticipated that the entire grant award will be expended by that date. All costs attributable to this project 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, 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; therefore, no provision or liability for income taxes is included in the accompanying financial statements.

Reclassifications

Certain amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation.

(3) PRIOR PERIOD ADJUSTMENTS

During 2004, the Association determined that (a) fellowships payable at June 30, 2003 were understated by \$65,000; and (b) in connection with the publication "Barrington Atlas of the Greek and Roman World", contributions receivable and a note payable were understated by \$25,000 and \$108,000, respectively. The Association made prior period adjustments as follows:

AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

	<u>Temporarily Restricted Net Assets</u>	<u>Total Net Assets</u>
Balance at June 30, 2002, as previously reported	\$1,087,551	\$3,306,113
Prior period adjustments to:		
Record fellowships payable	(56,500)	(56,500)
Record contributions receivable and note payable	<u>(83,000)</u>	<u>(83,000)</u>
Balance at June 30, 2002, as restated	<u>948,051</u>	<u>3,166,613</u>
Change in net assets for the year ended June 30, 2003, as previously reported	(47,809)	(20,570)
Prior period adjustment to:		
Record increase in fellowships payable	<u>(8,500)</u>	<u>(8,500)</u>
Change in net assets for the year ended June 30, 2003, as restated	<u>(56,309)</u>	<u>(29,070)</u>
Balance at June 30, 2003, as restated	<u>\$ 891,742</u>	<u>\$3,137,543</u>

(4) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30, 2004 consisted of \$242,000 of grants from the National Endowment for the Humanities and a contribution of \$25,000. The grants receivable will be collected as the Association incurs expenses for the intended purposes. The contribution receivable will be collected in 2005.

During 2004, the Association received \$455,619 of its grants and contributions from two donors.

(5) INVESTMENTS

Investments at June 30 consisted of the following:

	<u>2004</u>	<u>2003</u>
Certificate of deposit	\$ 100,000	\$ -
Mutual funds		
Equity	1,772,556	858,325
Fixed income	<u>1,630,234</u>	<u>2,330,302</u>
	<u>\$3,502,790</u>	<u>\$3,188,627</u>

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

	<u>2004</u>	<u>2003</u>
Interest and dividends	\$ 114,805	\$ 97,805
Net realized gain	47,040	20,430
Net unrealized gain	<u>244,823</u>	<u>240,652</u>
	<u>\$ 406,668</u>	<u>\$ 358,887</u>

AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

(6) NOTE PAYABLE

In connection with the Association's "Barrington Atlas of the Greek and Roman World" project, the Association has executed a note payable to the project director in the amount of \$108,000. The note is payable in four annual installments of \$27,000 from October 2004 to October 2007, plus interest at the lesser of 5% or the prime rate.

(7) TEMPORARILY RESTRICTED NET ASSETS

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

	Restated Balance June 30, 2003	Additions	Released	Balance June 30, 2004
Professional matters	\$269,128	\$ 42,289	\$ (21,211)	\$ 290,206
Publications	238,934	86,503	(2,316)	323,121
Fellowships	281,118	71,652	(60,750)	292,020
Improvements to the database architecture of L'Annee Philologique	-	256,316	(96,405)	159,911
American Office of L'Annee Philologique	<u>102,562</u>	<u>207,687</u>	<u>(122,695)</u>	<u>187,554</u>
	<u>\$891,742</u>	<u>\$664,447</u>	<u>\$(303,377)</u>	<u>\$1,252,812</u>

(8) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2004 and 2003 consisted of the following:

Pearson bequest – income is restricted for fellowships	\$204,150
Goodwin bequest – income is unrestricted	60,728
American Philological Association Campaign – income is:	
Restricted for publications	112,563
Restricted for professional matters	55,030
Unrestricted	<u>82,545</u>
	<u>\$515,016</u>

(9) OPERATING LEASE

The Association leases office facilities from the University of Pennsylvania under a noncancelable lease that expired June 30, 2004. The Association and the University of Pennsylvania are currently negotiating a new lease agreement. Rent expense for these facilities was \$5,625 for 2004 and \$5,465 for 2003.

(10) 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 approximately \$17,200 for 2004 and \$16,600 for 2003.

AMERICAN PHILOLOGICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

(11) COMMITMENTS

The Association has entered into agreements with hotels providing room accommodations for its annual meetings in 2005 and 2006. These agreements include a guarantee by the Association that a minimum number of rooms will be rented by meeting attendees. The Association intends to hold the annual meetings at the scheduled hotels and adjacent convention centers.