



November 30, 2012

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

We have audited the financial statements of The American Philological Association (the "**Association**") for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012. Professional standards require that we provide you with the following information related to our audit.

***Our Responsibility Under U.S. Generally Accepted Auditing Standards***

As stated in our engagement letter dated June 1, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the Association's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

***Significant Audit Findings***

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the allocation of expenses between program and supporting services. We evaluated the key factors used to develop the estimate in determining it is reasonable in relation to the financial statements taken as a whole.

**Difficulties Encountered in Performing the Audits**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 30, 2012.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Association and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

*BBD, LLP*

**BBD, LLP**

**THE AMERICAN PHILOLOGICAL ASSOCIATION**

***FINANCIAL STATEMENTS***

**YEARS ENDED JUNE 30, 2012 AND 2011**

# THE AMERICAN PHILOLOGICAL ASSOCIATION

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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, 2012 and 2011, 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, 2012 and 2011, 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  
November 30, 2012**

# THE AMERICAN PHILOLOGICAL ASSOCIATION

## STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 418,046	\$ 156,606
Accounts receivable		
Grants and contributions	135,853	302,601
Other	23,020	27,109
Inventory	-	7,294
Prepaid expenses and deposits	22,262	22,262
Investments	5,892,366	6,133,161
Equipment, net of accumulated depreciation of \$45,451 in 2012 and \$37,365 in 2011	<u>17,332</u>	<u>10,211</u>
<b>Total assets</b>	<b><u>\$6,508,879</u></b>	<b><u>\$6,659,244</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 64,451	\$ 53,343
Fellowships payable	75,400	75,400
Deferred revenue	118,126	115,206
Refundable advances	<u>66,549</u>	<u>127,245</u>
<b>Total liabilities</b>	<b><u>324,526</u></b>	<b><u>371,194</u></b>
<b>NET ASSETS</b>		
Unrestricted	1,562,640	1,714,974
Temporarily restricted	1,271,714	1,563,609
Permanently restricted	<u>3,349,999</u>	<u>3,009,467</u>
<b>Total net assets</b>	<b><u>6,184,353</u></b>	<b><u>6,288,050</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$6,508,879</u></b>	<b><u>\$6,659,244</u></b>

See accompanying notes

# THE AMERICAN PHILOLOGICAL ASSOCIATION

## STATEMENTS OF ACTIVITIES

Years ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>								
Membership dues	\$ 286,564	\$ -	\$ -	\$ 286,564	\$ 251,009	\$ -	\$ -	\$ 251,009
Grants and contributions	26,797	173,643	340,532	540,972	44,416	208,537	463,193	716,146
Annual meeting revenue	371,715	-	-	371,715	275,751	-	-	275,751
Publication sales	15,573	-	-	15,573	25,710	-	-	25,710
Placement service fees	43,009	-	-	43,009	39,922	-	-	39,922
Royalties	75,416	-	-	75,416	74,605	-	-	74,605
Other income	23,040	-	-	23,040	26,608	-	-	26,608
Net assets released from restrictions	292,230	(292,230)	-	-	368,751	(368,751)	-	-
<b>Total revenues and support</b>	<b>1,134,344</b>	<b>(118,587)</b>	<b>340,532</b>	<b>1,356,289</b>	<b>1,106,772</b>	<b>(160,214)</b>	<b>463,193</b>	<b>1,409,751</b>
<b>EXPENSES</b>								
Program services								
Education	84,467	-	-	84,467	82,726	-	-	82,726
Outreach	44,597	-	-	44,597	36,269	-	-	36,269
Placement	74,130	-	-	74,130	72,862	-	-	72,862
Professional matters	38,461	-	-	38,461	39,281	-	-	39,281
Annual meeting	383,247	-	-	383,247	316,922	-	-	316,922
Publications	102,559	-	-	102,559	103,021	-	-	103,021
Research	245,688	-	-	245,688	235,187	-	-	235,187
Special projects	25,951	-	-	25,951	90,912	-	-	90,912
Supporting services								
Member services	57,182	-	-	57,182	55,191	-	-	55,191
General and administrative	35,185	-	-	35,185	38,576	-	-	38,576
Fundraising	172,518	-	-	172,518	166,363	-	-	166,363
<b>Total expenses</b>	<b>1,263,985</b>	<b>-</b>	<b>-</b>	<b>1,263,985</b>	<b>1,237,310</b>	<b>-</b>	<b>-</b>	<b>1,237,310</b>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<b>(129,641)</b>	<b>(118,587)</b>	<b>340,532</b>	<b>92,304</b>	<b>(130,538)</b>	<b>(160,214)</b>	<b>463,193</b>	<b>172,441</b>
<b>OTHER CHANGES</b>								
Investment income (loss)	(22,693)	(173,308)	-	(196,001)	406,086	578,818	-	984,904
<b>CHANGE IN NET ASSETS</b>	<b>(152,334)</b>	<b>(291,895)</b>	<b>340,532</b>	<b>(103,697)</b>	<b>275,548</b>	<b>418,604</b>	<b>463,193</b>	<b>1,157,345</b>
<b>NET ASSETS</b>								
Beginning of year	1,714,974	1,563,609	3,009,467	6,288,050	1,439,426	1,145,005	2,546,274	5,130,705
<b>End of year</b>	<b>\$1,562,640</b>	<b>\$1,271,714</b>	<b>\$3,349,999</b>	<b>\$6,184,353</b>	<b>\$1,714,974</b>	<b>\$1,563,609</b>	<b>\$3,009,467</b>	<b>\$6,288,050</b>

See accompanying notes

# THE AMERICAN PHILOLOGICAL ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2012

	<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	\$27,488	\$18,984	\$45,564	\$22,965	\$ 63,481	\$ 33,189	\$168,318	\$ 8,000	\$14,891	\$26,487	\$105,091	\$ 534,458
Grants, awards, fellowships and honoraria	36,293	1,092	93	93	993	6,048	51,493	11,350	-	-	-	107,455
Bank service fees	25	-	1,723	-	7,903	10	190	-	310	172	3,545	13,878
Cosponsor share of joint revenue	-	-	-	-	144,841	-	-	-	-	-	-	144,841
Depreciation	642	285	1,426	428	1,711	784	1,240	-	357	500	713	8,086
Equipment rental and maintenance	532	460	2,232	480	43,893	533	459	-	52	74	161	48,876
Insurance	2,726	2,576	3,056	2,636	4,775	2,786	2,576	-	150	211	300	21,792
Occupancy	1,667	741	3,704	1,111	4,445	2,037	741	-	926	1,296	1,852	18,520
Photocopies	7	61	16	5	148	9	3	-	356	5	8	618
Postage and shipping	356	756	792	238	3,607	6,705	194	-	2,357	276	5,946	21,227
Printing and publications	166	6,794	214	153	15,616	29,611	385	-	1,293	31	21,426	75,689
Professional and management fees	2,032	1,812	5,028	1,507	52,878	10,969	2,466	5,147	36,226	1,225	22,205	141,495
Supplies	63	28	139	42	767	77	28	-	38	45	3,382	4,609
Telephone	295	223	507	251	505	351	223	10	70	98	882	3,415
Travel, meals and lodging	9,841	9,153	8,351	7,714	30,569	8,178	16,478	1,444	-	268	5,928	97,924
Other	<u>2,334</u>	<u>1,632</u>	<u>1,285</u>	<u>838</u>	<u>7,115</u>	<u>1,272</u>	<u>894</u>	<u>-</u>	<u>156</u>	<u>4,497</u>	<u>1,079</u>	<u>21,102</u>
	<u>\$84,467</u>	<u>\$44,597</u>	<u>\$74,130</u>	<u>\$38,461</u>	<u>\$383,247</u>	<u>\$102,559</u>	<u>\$245,688</u>	<u>\$25,951</u>	<u>\$57,182</u>	<u>\$35,185</u>	<u>\$172,518</u>	<u>\$1,263,985</u>

See accompanying notes



# THE AMERICAN PHILOLOGICAL ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2011

	<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	\$28,406	\$20,041	\$45,553	\$23,967	\$ 65,178	\$ 34,038	\$160,297	\$ -	\$15,340	\$25,618	\$ 99,604	\$ 518,042
Grants, awards, fellowships and honoraria	35,243	393	93	93	993	7,275	51,493	24,000	-	-	-	119,583
Bank service fees	56	-	779	2	6,597	-	90	25	132	119	2,904	10,704
Cosponsor share of joint revenue	-	-	-	-	92,890	-	-	-	-	-	-	92,890
Depreciation	422	188	938	281	1,125	516	2,101	-	235	328	469	6,603
Equipment rental and maintenance	165	426	3,312	128	26,626	190	895	-	60	84	1,215	33,101
Insurance	2,877	2,728	3,204	2,788	4,639	2,936	2,728	-	149	208	297	22,554
Occupancy	1,458	648	3,241	972	3,889	1,782	648	-	810	1,135	1,620	16,203
Photocopies	64	151	37	11	1,003	21	7	-	372	13	19	1,698
Postage and shipping	392	175	802	254	5,212	7,549	230	-	2,861	274	5,117	22,866
Printing and publications	247	1,296	615	196	13,330	29,195	321	-	329	121	16,835	62,485
Professional and management fees	2,090	1,394	5,490	5,136	53,131	11,119	1,227	66,887	34,524	1,394	24,811	207,203
Supplies	173	118	402	115	461	211	322	-	96	135	3,514	5,547
Telephone	219	321	443	158	524	275	118	-	101	142	542	2,843
Travel, meals and lodging	8,277	6,732	6,422	4,407	37,921	6,890	13,890	-	-	3,135	8,168	95,842
Other	2,637	1,658	1,531	773	3,403	1,024	820	-	182	5,870	1,248	19,146
	<u>\$82,726</u>	<u>\$36,269</u>	<u>\$72,862</u>	<u>\$39,281</u>	<u>\$316,922</u>	<u>\$103,021</u>	<u>\$235,187</u>	<u>\$90,912</u>	<u>\$55,191</u>	<u>\$38,576</u>	<u>\$166,363</u>	<u>\$1,237,310</u>

See accompanying notes

# THE AMERICAN PHILOLOGICAL ASSOCIATION

## STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$(103,697)	\$1,157,345
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Net realized and unrealized (gain) loss on investments	355,691	(879,975)
Depreciation	8,086	6,603
Grants and contributions restricted for long-term purposes	(340,532)	(463,193)
(Increase) decrease in		
Accounts receivable	131,699	(39,271)
Inventory	7,294	601
Prepaid expenses and deposits	-	(1,000)
Increase (decrease) in		
Accounts payable and accrued expenses	11,108	2,572
Fellowships payable	-	14,400
Deferred revenue	2,920	1,872
Refundable advances	<u>(60,696)</u>	<u>127,245</u>
<b>Net cash provided by (used for) operating activities</b>	<u>11,873</u>	<u>(72,801)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchase of investments	(114,896)	(600,984)
Purchase of equipment	<u>(15,207)</u>	<u>(10,205)</u>
<b>Net cash used for investing activities</b>	<u>(130,103)</u>	<u>(611,189)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from grants and contributions received for long-term purposes	<u>379,670</u>	<u>571,064</u>
<b>Net increase (decrease) in cash</b>	261,440	(112,926)
<b>CASH</b>		
Beginning of year	<u>156,606</u>	<u>269,532</u>
<b>End of year</b>	<u>\$ 418,046</u>	<u>\$ 156,606</u>

See accompanying notes

# THE AMERICAN PHILOLOGICAL ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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### (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 December 31, 2012.

### (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.

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# THE AMERICAN PHILOLOGICAL ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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### **Fair Value Measurements of Assets and Liabilities**

Generally accepted accounting principles ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP 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 require 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 observable, either directly or indirectly.

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

See Note 10 for application of these principles to the Association's assets and liabilities.

### **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 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, 2012 and 2011

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### **Fellowships Payable**

Unconditional fellowships authorized but unpaid at year-end are reported as liabilities. The fellowships payable at June 30, 2012 are expected to be paid in 2013. The fellowships payable at June 30, 2011 were paid in 2012.

### **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 2010, the Association received a grant of \$215,000 from the Andrew W. Mellon Foundation to support the creation of a database and software to link online bibliographies to primary source texts in Greek and Latin. This project commenced in 2010 and was completed in 2012.

During 2012, the Association received a grant of \$159,000 from the Andrew W. Mellon Foundation to support planning for a digital library of Latin texts. This project commenced in 2012 and is expected to be completed in 2013.

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

# THE AMERICAN PHILOLOGICAL ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

The Association's tax returns for the years ended June 30, 2009, 2010 and 2011 are subject to examination by the Internal Revenue Service and other various taxing authorities.

### (3) GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2012</u>	<u>2011</u>
Grants receivable from the National Endowment for the Humanities	\$102,300	\$148,241
Contributions receivable from individuals for the Endowment for Classics Research and Teaching ( <b>See Note 6</b> )	<u>33,553</u>	<u>154,360</u>
	<u>\$135,853</u>	<u>\$302,601</u>

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

In less than one year	\$ 70,553	\$220,458
In one to five years	<u>74,000</u>	<u>95,143</u>
	144,553	315,601
Less discount to present value (at 5%)	<u>(8,700)</u>	<u>(13,000)</u>
	<u>\$135,853</u>	<u>\$302,601</u>

The Association has also received conditional grants from the National Endowment for the Humanities in the amount of \$66,549. These conditional grants are reported as "**refundable advances**" in the accompanying statements of financial position.

### (4) INVESTMENTS

Investments at June 30 consisted of the following:

	<u>2012</u>	<u>2011</u>
Mutual funds		
Equity	\$3,298,846	\$4,044,312
Fixed income	2,593,520	2,083,827
Common stocks	<u>-</u>	<u>5,022</u>
	<u>\$5,892,366</u>	<u>\$6,133,161</u>

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# THE AMERICAN PHILOLOGICAL ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 159,690	\$ 104,929
Net realized and unrealized gain (loss)	<u>(355,691)</u>	<u>879,975</u>
	<u>\$ (196,001)</u>	<u>\$ 984,904</u>

### (5) 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>2012</u>				
	<u>Balance July 1, 2011</u>	<u>Grants and Contributions</u>	<u>Investment Income (Loss)</u>	<u>Released from Restriction</u>	<u>Balance June 30, 2012</u>
Professional matters	\$ 181,461	\$ -	\$ (12,142)	\$ (38,461)	\$ 130,858
Publications	608,255	-	(24,836)	(7,448)	575,971
Fellowships	435,472	65	(24,698)	(83,746)	327,093
American Office of L'Annee Philologique	11,232	14,578	-	(25,810)	-
Research and teaching	303,710	-	(111,797)	(111,000)	80,913
Creation of a database and software to link online bibliographies to primary source texts in Greek and Latin	23,479	-	165	(23,644)	-
Digital library of Latin texts	<u>-</u>	<u>159,000</u>	<u>-</u>	<u>(2,121)</u>	<u>156,879</u>
	<u>\$1,563,609</u>	<u>\$173,643</u>	<u>\$(173,308)</u>	<u>\$(292,230)</u>	<u>\$1,271,714</u>
	<u>2011</u>				
	<u>Balance July 1, 2010</u>	<u>Grants and Contributions</u>	<u>Investment Income</u>	<u>Released from Restriction</u>	<u>Balance June 30, 2011</u>
Professional matters	\$ 159,944	\$ -	\$ 60,799	\$ (39,282)	\$ 181,461
Publications	486,553	-	124,361	(2,659)	608,255
Fellowships	288,501	124,391	105,725	(83,145)	435,472
American Office of L'Annee Philologique	79,839	84,146	-	(152,753)	11,232
Research and teaching	16,223	-	287,487	-	303,710
Creation of a database and software to link online bibliographies to primary source texts in Greek and Latin	113,945	-	446	(90,912)	23,479
	<u>\$1,145,005</u>	<u>\$208,537</u>	<u>\$578,818</u>	<u>\$(368,751)</u>	<u>\$1,563,609</u>

# THE AMERICAN PHILOLOGICAL ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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### (6) PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</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	61,979	61,679
Endowment for Classics Research and Teaching – income is restricted for purposes described in Note 1	2,773,004	2,432,772
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>\$3,349,999</u>	<u>\$3,009,467</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.

### (7) OPERATING LEASE

The Association leases office facilities from the University of Pennsylvania under a noncancelable lease that expires June 30, 2014 and provides the Association with the option to renew the lease for two additional one year terms. Rent expense for these facilities was \$18,520 for 2012 and \$16,203 for 2011. The minimum annual commitment under this lease is \$18,890 for 2013 and \$19,178 for 2014.

### (8) 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 \$25,900 for 2012 and \$25,286 for 2011.

### (9) COMMITMENTS

The Association and AIA have entered into agreements with hotels providing room accommodations for its annual meetings from 2013 through 2017 and for 2019. 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.



# THE AMERICAN PHILOLOGICAL ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### (10) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

<u>Description</u>	<u>Balance June 30, 2012</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>
<b>Assets</b>				
Investments	\$5,892,366	\$5,892,366	\$ -	\$ -
Grants and contributions receivable	<u>135,853</u>	<u>-</u>	<u>135,853</u>	<u>-</u>
	<u>\$6,028,219</u>	<u>\$5,892,366</u>	<u>\$135,853</u>	<u>\$ -</u>
<b>Liabilities</b>				
Fellowships payable	<u>\$ 75,400</u>	<u>\$ -</u>	<u>\$ 75,400</u>	<u>\$ -</u>
<u>Description</u>	<u>Balance June 30, 2011</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>
<b>Assets</b>				
Investments	\$6,133,161	\$6,133,161	\$ -	\$ -
Grants and contributions receivable	<u>302,601</u>	<u>-</u>	<u>302,601</u>	<u>-</u>
	<u>\$6,435,762</u>	<u>\$6,133,161</u>	<u>\$302,601</u>	<u>\$ -</u>
<b>Liabilities</b>				
Fellowships payable	<u>\$ 75,400</u>	<u>\$ -</u>	<u>\$ 75,400</u>	<u>\$ -</u>

### (11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2012, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2012 that required recognition or disclosure in the financial statements.