

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

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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.

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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.



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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*.

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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

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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

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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
<b>Permanently restricted net assets</b>	<b>\$ 515,016</b>	<b>\$ 515,016</b>

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
	<b>\$ 8,268</b>

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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.