

**AMERICAN POLITICAL SCIENCE ASSOCIATION**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**September 30, 2017 and 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Council  
American Political Science Association

### Report on the Financial Statements

We have audited the accompanying financial statements of the American Political Science Association, which comprise the statement of financial position as of September 30, 2017 and 2016, and the related statement of activities and cash flows for the year ended September 30, 2017, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

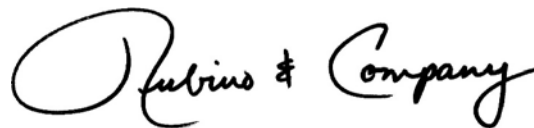
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Political Science Association as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year ended September 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

## ***Report on Summarized Information***

We have previously audited the American Political Science Association September 30, 2016 financial statements and our report dated March 24, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Report on the Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information for the year ended September 30, 2017, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style.

October 16, 2018  
Bethesda, Maryland

**AMERICAN POLITICAL SCIENCE ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2017 and 2016**

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,352,188	\$ 910,408
Receivables, net	241,813	260,911
Pledges receivable, net	17,036	15,593
Prepaid expenses and other assets	231,847	266,537
Investments	36,355,308	33,100,823
Property and equipment, net	3,072,969	3,015,810
Other assets	<u>40,000</u>	<u>40,000</u>
 Total assets	 <u>\$ 41,311,161</u>	 <u>\$ 37,610,082</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 463,802	\$ 789,062
Deferred revenue	1,775,862	2,099,613
Funds held for others	14,525	12,580
Security deposits	51,369	22,974
Notes payable	1,466,495	1,652,540
Derivative instruments	<u>8,772</u>	<u>44,153</u>
 Total liabilities	 <u>3,780,825</u>	 <u>4,620,922</u>
Net assets		
Unrestricted:		
Undesignated	12,345,161	10,567,268
Board designated	<u>4,352,243</u>	<u>3,767,469</u>
 Total unrestricted	 16,697,404	 14,334,737
 Temporarily restricted	 15,832,932	 13,654,423
Permanently restricted	<u>5,000,000</u>	<u>5,000,000</u>
 Total net assets	 <u>37,530,336</u>	 <u>32,989,160</u>
 Total liabilities and net assets	 <u>\$ 41,311,161</u>	 <u>\$ 37,610,082</u>

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

**AMERICAN POLITICAL SCIENCE ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2017**  
**(With Comparative Totals for 2016)**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	2017 <u>Total</u>	2016 <u>Total</u>
Revenue and support					
Membership department	\$ 1,850,896	\$ -	\$ -	\$ 1,850,896	\$ 1,825,478
Conferences and meetings	1,924,750	-	-	1,924,750	1,998,785
Journals and publications	1,466,306	-	-	1,466,306	1,410,910
Department services	510,262	-	-	510,262	508,124
Programs and grants	193,268	41,161	-	234,429	332,762
Rental income	367,214	-	-	367,214	309,586
Congressional fellowship program	287,339	-	-	287,339	310,807
Administrative income	20,648	-	-	20,648	22,715
Fund transfers, net	(90,006)	-	-	(90,006)	(123,205)
Net assets released from restrictions	<u>782,307</u>	<u>(782,307)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>7,312,984</u>	<u>(741,146)</u>	<u>-</u>	<u>6,571,838</u>	<u>6,595,962</u>
Expenses					
Program services					
Programs and grants	1,647,470	-	-	1,647,470	1,601,272
Conferences and meetings	1,278,625	-	-	1,278,625	1,396,677
Journals and publications	1,441,955	-	-	1,441,955	1,400,978
Membership department	765,874	-	-	765,874	810,751
Congressional Fellowship Program	544,549	-	-	544,549	849,655
Department services	<u>67,965</u>	<u>-</u>	<u>-</u>	<u>67,965</u>	<u>131,267</u>
Total program expenses	5,746,438	-	-	5,746,438	6,190,600
Supporting services					
General and administrative	904,757	-	-	904,757	958,268
Rental expenses	<u>137,262</u>	<u>-</u>	<u>-</u>	<u>137,262</u>	<u>140,524</u>
Total expenses	<u>6,788,457</u>	<u>-</u>	<u>-</u>	<u>6,788,457</u>	<u>7,289,392</u>
Change in net assets from operations	<u>524,527</u>	<u>(741,146)</u>	<u>-</u>	<u>(216,619)</u>	<u>(693,430)</u>
Non-operating activity					
Investment income, net	1,802,759	2,919,655	-	4,722,414	3,443,803
Swap adjustment	<u>35,381</u>	<u>-</u>	<u>-</u>	<u>35,381</u>	<u>(18,217)</u>
Total non-operating activity	<u>1,838,140</u>	<u>2,919,655</u>	<u>-</u>	<u>4,757,795</u>	<u>3,425,586</u>
Change in net assets	2,362,667	2,178,509	-	4,541,176	2,732,156
Net assets, beginning of year	<u>14,334,737</u>	<u>13,654,423</u>	<u>5,000,000</u>	<u>32,989,160</u>	<u>30,257,004</u>
Net assets, end of year	<u>\$ 16,697,404</u>	<u>\$ 15,832,932</u>	<u>\$ 5,000,000</u>	<u>\$ 37,530,336</u>	<u>\$ 32,989,160</u>

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

**AMERICAN POLITICAL SCIENCE ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2017**

Cash flows from operating activities:	
Change in net assets	\$ 4,541,176
Reconciling adjustments:	
Depreciation and amortization	213,018
Realized and unrealized gain on investments, net	(3,963,183)
Unrealized gain on interest rate swap agreement	(35,381)
Changes in operating assets and liabilities:	
Receivables, net	19,098
Prepaid expenses and other assets	34,690
Promises to give, net	(1,443)
Accounts payable and accrued expenses	(340,435)
Deferred revenue	(323,751)
Funds held for others	1,945
Security deposits	<u>28,395</u>
Net cash provided by operating activities	<u>174,129</u>
Cash flows from investing activities:	
Purchase of investments	(1,885,291)
Proceeds from sale of investments	2,593,989
Purchase of property and equipment	<u>(231,991)</u>
Net cash provided by investing activities	<u>476,707</u>
Cash flows from financing activities:	
Principal payments on note payable	(186,045)
Principal payments on capital lease obligation	<u>(23,011)</u>
Net cash used by financing activities	<u>(209,056)</u>
Net increase in cash and cash equivalents	441,780
Cash and cash equivalents, beginning of year	<u>910,408</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,352,188</u></u>
Supplemental cash flow information	
Interest paid	<u>\$ 54,054</u>
Property financed through capital lease obligation	<u>\$ 38,186</u>

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

**AMERICAN POLITICAL SCIENCE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2017 and 2016**

**1. Organization**

Founded in 1903, the American Political Science Association (the “Association”), a not-for-profit corporation, provides fellowships and programs to individuals to encourage research and study related to political science; provides educational materials and information to members regarding political science and politics; provides personnel placement services to members; presents awards to individuals in recognition of their achievements in the areas of political science and education; provides a forum for meetings and educational instruction for members of the Association; publishes research on political science; establishes and upholds standards of professional practice; provides programs for departments of political science; collects and disseminates data on the profession; and engages in other activities to promote the discipline of political science.

The Association’s fellowships and programs are organized and managed around the following outcomes:

*Journals and publications:* The Association provides educational materials and information to members regarding political science and politics.

*Conferences and meetings:* The Association provides a forum for meetings and educational instruction to members and other interested persons in political science.

*Programs and grants:* The Association provides mentoring and stipends to individuals to encourage research and study related to political science.

*Congressional Fellowship Program:* The Association provides a program devoted to expanding the knowledge and awareness of congress.

*Membership department:* The Association brings together, through membership, political scientists from all fields of inquiry, regions and occupational endeavors in order to expand awareness of political life.

*Department services:* The Association provides academic departments current American Political Science Association publications, services and information to enhance research, education, and public understanding of politics, as well as personnel placement services to members.



**AMERICAN POLITICAL SCIENCE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended September 30, 2017 and 2016**

**2. Summary of Significant Accounting Policies**

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Association is a nonprofit organization, recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code, except as to income from unrelated business activities. However, tax years ended June 30, 2015 through 2017 remain open to examination by the taxing jurisdiction to which the Association is subject, and they have not been extended beyond the applicable statute of limitations.

Uncertainty in Income Taxes

The Association has a process in place to ensure the maintenance of its exempt-status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Association has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Association considers all highly-liquid investments purchased with original maturities less than 90 days to be cash equivalents. At times, deposits exceed federally insured limits. Management, however, does not consider this a significant concentration of credit risk.

Receivables

Receivables are carried at net realizable value and are written off when they are deemed uncollectible based upon management's assessment of troubled accounts. The allowance for doubtful accounts is estimated based upon the Association's historical losses and management's review of aged receivables. The allowance for doubtful accounts was approximately \$300 and \$900, respectively, at September 30, 2017 and 2016.

**AMERICAN POLITICAL SCIENCE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2017 and 2016**

**2. Summary of Significant Accounting Policies (continued)**

Investments

Investments are carried at fair value in the statement of financial position. Unrealized gains and losses are included in the statement of activities with investment income. Investment income is classified as unrestricted, temporarily restricted, or permanently restricted with respect to stipulations imposed by the donor and applicable state law. Donated investments are recorded at fair value on the date of receipt.

Although the Association's investments are invested in a variety of financial instruments in accordance with the approved investment policy, the fair values reported in the financial statements are subject to various market risks including changes in the equity markets, the interest rate environment, and economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible the fair value of investments reported in the accompanying statement of financial position could change materially in the near term.

Property and Equipment

Property and equipment with an original cost in excess of \$1,000 and a useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives, which range from 3 to 40 years. Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of their estimated useful lives or the lease term.

Net Asset Classification

Unrestricted net assets are not subject to donor-imposed stipulations and may be used on a discretionary basis by the Association. Board designated net assets have been internally designated by the Association for the following purposes:

	<u>2017</u>	<u>2016</u>
Centennial funds	\$ 2,319,152	\$ 2,009,181
Awards	470,729	403,826
RBSI funds	<u>1,562,362</u>	<u>1,354,462</u>
Total board designated net assets	<u>\$ 4,352,243</u>	<u>\$ 3,767,469</u>

**AMERICAN POLITICAL SCIENCE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended September 30, 2017 and 2016**

**2. Summary of Significant Accounting Policies (continued)**

Temporarily restricted net assets consist of gifts of cash or other assets which are subject to donor-imposed stipulations that limit the use of the donated assets to a specific time period or purpose as disclosed in Note 7.

Endowment Funds

Endowment gifts are recognized as support when received. The principal amount of the gift is maintained intact. Investment income on endowments is recognized as an increase in unrestricted net assets, unless the income is restricted by donor or law and such restrictions have not been met in the same fiscal year. The Foundation follows the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) reporting. The required expanded disclosures are included in Note 8.

Revenue Recognition

Membership dues are recognized ratably over the membership period. Deferred membership dues represent that portion of dues collected that applies to future periods.

Registrations and other fees related to conferences and seminars are recognized at the time the event is held.

Journals and publications consist of amounts received for subscriptions to the Association's journals, as well as advertising revenue related to both the journals and magazines. These amounts are recognized upon delivery of the publication.

The Association records contributions and unconditional promises to give at fair value as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions, including inherent time restrictions. When a time restriction ends or a 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. Investment income is recognized as an increase in unrestricted net assets, unless the income is restricted by donor or law and such restrictions have not been met in the same fiscal year.

Allocation of Expenses

The costs of the Association's various programs and activities have been summarized by function in the statement of activities. Accordingly, costs have been allocated among the programs and activities directly benefited or based on management's estimate of time incurred by the Association's personnel in such functions.

**AMERICAN POLITICAL SCIENCE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended September 30, 2017 and 2016**

**2. Summary of Significant Accounting Policies (continued)**

Subsequent Events

Management has evaluated subsequent events through October 16, 2018, which is the date the financial statements were available to be issued.

**3. Investments**

Investments consist of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
General operating	\$ 2,574,187	\$ 3,311,426
Trust portfolio		
T&D fund	14,902,454	12,867,224
Second Century and other funds	453,291	390,712
Awards	<u>1,606,053</u>	<u>1,371,841</u>
Total trust portfolio	<u>16,961,798</u>	<u>14,629,777</u>
Congressional fellowship	<u>16,819,323</u>	<u>15,159,620</u>
Total investments	<u>\$ 36,355,308</u>	<u>\$ 33,100,823</u>

The investments are subject to market risks and their values fluctuate daily. Investment return consists of the following for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 759,231	\$ 594,051
Net realized and unrealized gains	<u>3,963,183</u>	<u>2,849,752</u>
Total investment return, net	<u>\$ 4,722,414</u>	<u>\$ 3,443,803</u>

**AMERICAN POLITICAL SCIENCE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2017 and 2016**

**4. Property and Equipment**

Property and equipment consists of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 572,521	\$ 572,521
Building and building improvements	4,393,896	4,104,892
Furniture and fixtures	1,137,266	1,039,604
Construction in progress	<u>-</u>	<u>116,489</u>
Subtotal	6,103,683	5,833,506
Less: accumulated depreciation and amortization	<u>(3,030,714)</u>	<u>(2,817,696)</u>
Property and equipment, net	<u><u>\$ 3,072,969</u></u>	<u><u>\$ 3,015,810</u></u>

Depreciation and amortization expense totaled \$213,018 and \$204,748, respectively, for the years ended September 30, 2017 and 2016.

**5. Deferred Revenue**

Deferred revenue consists of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Membership	\$ 1,114,137	\$ 1,149,337
Department services	278,416	261,945
Grants	338,944	640,672
Other	<u>44,365</u>	<u>47,659</u>
Total	<u><u>\$ 1,775,862</u></u>	<u><u>\$ 2,099,613</u></u>

**AMERICAN POLITICAL SCIENCE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended September 30, 2017 and 2016**

**6. Long Term Liabilities**

Notes Payable

In July 2012, the Association borrowed \$2,360,000 under a promissory note agreement to make certain renovations to owned property. Monthly payments of principal and interest are due on the first of each month through maturity on July 1, 2024. The note is secured by a Deed of Trust on the property, as well as other certain tangible and intangible property of the Association. Under the terms of the note agreement, the Association is required to meet certain financial covenants. The amount outstanding under the note totaled \$1,466,495 and \$1,652,540, respectively, at September 30, 2017 and 2016.

The note has a floating interest rate at one-month LIBOR plus 175 basis points (2.273% at September 30, 2017). However, the Association entered into an interest rate swap agreement for the note as discussed below. The payments to and from the counterparty are classified as interest expense and totaled approximately \$23,000 and \$29,000, respectively, for the years ended September 30, 2017 and 2016. Future maturities of principal for this obligation are as follows:

Year Ending September 30, 2018	\$ 192,854
2019	199,912
2020	207,229
2021	214,814
2022	222,675
Thereafter	<u>429,011</u>
	<u>\$ 1,466,495</u>

Interest Rate Swap

The Association entered into an interest rate swap agreement through Bank of America to reduce the impact of market changes in the variable interest rate for the note payable. The agreement effectively changed the Association's interest rate exposure on the floating rate notes to a fixed rate of 3.4%. The interest rate swap agreement matures in 2024, at the same time the note matures. The Association's credit risk is limited to the fair market value of the interest rate swap liability, which was \$8,772 and \$44,153, respectively, at September 30, 2017 and 2016. The difference to be paid or received varies as short-term interest rates change and is recognized separately as a change in unrestricted net assets on the statement of activities. The amounts recorded as increase (decrease) to unrestricted net assets, for the years ended September 30, 2017 and 2016, were \$35,381 and (\$18,217), respectively.

**AMERICAN POLITICAL SCIENCE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2017 and 2016**

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets at September 30, 2017 and 2016, are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Congressional Fellowship Program	\$ 11,819,323	\$ 10,159,620
Centennial Funds	2,878,282	2,526,792
Award Funds	<u>1,135,327</u>	<u>968,011</u>
Total	<u>\$ 15,832,932</u>	<u>\$ 13,654,423</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

**8. Endowment Funds**

The Association's endowment consists of funds intended for the long-term support and growth of the Congressional Fellowship Program. These are funds the Association wishes to grow over the long term consistent with appropriate reasonable risk. The portfolio is overseen by the Trust and Development Board of Trustees, under guidelines established in an agreement between the Association and MCI Corporation. Net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Association has interpreted the District of Columbia-enacted version of the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence described by the Act.

**AMERICAN POLITICAL SCIENCE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended September 30, 2017 and 2016**

**8. Endowment Funds (continued)**

In accordance with the Act, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Association's and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of the investments;
- (6) Other resources of the Association; and
- (7) The investment policies of the Association.

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Trust and Development Board of Trustees, the endowment assets are invested in a manner that is intended to provide growth and to preserve or increase the real value of the endowment to meet the future needs of the Congressional Fellowship Program, always with the objective of selecting investment vehicles that are at an appropriate level of risk for a non-profit organization. Actual returns in any given year may vary.

Spending Policy

The Association currently appropriates funds for the distribution of Congressional Fellowship Program activities based upon the demand for this purpose and on the availability of funds during the particular year. The Association has the authority to make discretionary decisions in the application of the endowment. The endowment stipulates that no more than 5.5 percent of the fund's market value at the preceding December 31 may be drawn down to support the program.



**AMERICAN POLITICAL SCIENCE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2017 and 2016**

**8. Endowment Funds (continued)**

The changes in endowment net assets for the years ended September 30, 2017 and 2016 is as follows:

	Endowment Earnings (Temporarily Restricted)	Endowed Funds (Permanently Restricted)	<u>Total</u>
Endowment assets, September 30, 2015	\$ 8,852,283	\$ 5,000,000	\$ 13,852,283
Investment return, net	1,734,026	-	1,734,026
Amounts appropriated for expenditure	<u>(426,689)</u>	<u>-</u>	<u>(426,689)</u>
Endowment assets, September 30, 2016	10,159,620	5,000,000	15,159,620
Investment return, net	2,365,557	-	2,365,557
Amounts appropriated for expenditure	<u>(705,854)</u>	<u>-</u>	<u>(705,854)</u>
Endowment assets, September 30, 2017	<u>\$ 11,819,323</u>	<u>\$ 5,000,000</u>	<u>\$ 16,819,323</u>

The net asset composition of the endowment funds as of September 30, 2017 and 2016, is as follows:

	Endowment Earnings (Temporarily Restricted)	Endowed Funds (Permanently Restricted)	<u>Total</u>
<u>2017</u>			
Donor-restricted	<u>\$ 11,819,323</u>	<u>\$ 5,000,000</u>	<u>\$ 16,819,323</u>
<u>2016</u>			
Donor-restricted	<u>\$ 10,159,620</u>	<u>\$ 5,000,000</u>	<u>\$ 15,159,620</u>

**AMERICAN POLITICAL SCIENCE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2017 and 2016**

**9. Retirement Plan**

The Association sponsors a defined contribution plan for the benefit of eligible employees. An employee is eligible for participation when the employee has completed one year of service and is at least 21 years of age. For the years ended September 30, 2017 and 2016, contributions to the plan totaled \$175,198 and \$167,158, respectively.

**10. Commitments**

Annual Meeting Commitments

The Association has entered into agreements with hotels providing room accommodations for its Annual Meeting for years 2018 through 2021. The total commitment under the agreements is not determinable as it depends upon attendance and other unknown factors. The agreements contain clauses, whereby, the Association may be liable for liquidated damages in the event of cancellation.

Capital Leases

The Association entered into a lease agreement to finance certain equipment over a five-year period. The lease agreement has been classified as a capital lease, which is generally accounted for as additions to property and equipment using lease financing. The capital lease liability is included with accounts payable and accrued expenses in the accompanying statement of financial position.

The future minimum lease payments under the capital lease obligation are as follows:

Year Ending September 30, 2018	\$ 8,700
2019	<u>7,250</u>
Total minimum lease payments	15,950
Less: amount representing interest	<u>(775)</u>
Present value of minimum capital lease payments	<u><u>\$ 15,175</u></u>

At September 30, 2017, the book value of the capital lease asset is \$14,002, net of the related accumulated amortization of \$24,184, and is included with property and equipment.

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**11. Leases to Tenants**

The Association leases space in its central office building and a second building to tenants through operating lease agreements. The Association is obligated to reimburse the tenant of its second building for improvements made during the first 12 months of the lease not to exceed \$30,000. An additional improvement allowance not to exceed \$20,000 is available for the tenant of the Association's second building if the optional five-year renewal is exercised by the tenant.

Future minimum rental receipts on these leases are as follows:

Year Ending September 30, 2018	\$ 228,700
2019	<u>135,300</u>
Total	<u>\$ 364,000</u>

**12. Fair Value Measurements**

The Association reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities that the Association has the ability to access.
- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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**12. Fair Value Measurements (continued)**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported as of the end of the reporting period. For the years ended September 30, 2017 and 2016, there were no significant transfers in or out of levels 1, 2, or 3.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of the Association's investments was measured using the following inputs at September 30, 2017:

	<u>Total</u>	<u>Level 1</u>
Money market funds (Note 2)	\$ 623,329	\$ 623,329
Mutual funds - fixed income (Note 2)	6,546,340	6,546,340
Mutual funds - equity (Note 2)	28,361,419	28,361,419
Common stocks (Note 2)	<u>824,220</u>	<u>824,220</u>
Total	<u>\$ 36,355,308</u>	<u>\$ 36,355,308</u>

The fair value of the Association's investments was measured using the following inputs at September 30, 2016:

	<u>Total</u>	<u>Level 1</u>
Money market funds (Note 2)	\$ 1,381,645	\$ 1,381,645
Mutual funds - fixed income (Note 2)	6,173,170	6,173,170
Mutual funds - equity (Note 2)	24,897,348	24,897,348
Common stocks (Note 2)	<u>648,660</u>	<u>648,660</u>
Total	<u>\$ 33,100,823</u>	<u>\$ 33,100,823</u>

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**12. Fair Value Measurements (continued)**

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Investments in *money market and mutual funds*, discussed in Note 2, are valued at the net asset value of shares held by the Society at year-end reported in the listing of the applicable major exchanges. Such securities are classified within Level 1 of the valuation hierarchy.

Investments in *common stocks and equity funds*, discussed in Note 2, are valued at the quoted market price held by the Society at year-end as reported in the listing of the applicable major stock exchanges. Such securities are classified within Level 1 of the valuation hierarchy.

**SUPPLEMENTARY INFORMATION**

**American Political Science Association**  
**Schedule of Changes in Award Funds (at Fair Value)**  
**September 30, 2017**

	Balance (at Fair Value) September 30, 2016	Contributions and Transfers	Awards, Transfers, and Related Expenses	Subtotal	Investment Income Direct and Allocated	Total (at Fair Value) 9/30/2017	
						Unrestricted	Temporarily Restricted
<b>Award Funds</b>							
John Gaus Lectureship	\$ 135,443	\$ -	\$ -	\$ 135,443	\$ 21,693	\$ 157,136	\$ -
E. E. Schattschneider Award	24,295	200	-	24,495	3,922	28,417	-
Leo Strauss Dissertation Award	53,366	511	-	53,877	8,629	62,506	-
William Anderson Award	17,987	150	-	18,137	2,905	21,042	-
Gabriel Almond Award	35,146	435	-	35,581	5,699	41,280	-
Lasswell Symposium Award	62,282	-	-	62,282	9,976	72,258	-
Carey McWilliams Award	39,045	410	-	39,455	6,320	45,775	-
Edward S. Corwin Award	36,262	210	-	36,472	5,842	42,314	-
<b>Unrestricted Awards</b>	<b>403,826</b>	<b>1,916</b>	<b>-</b>	<b>405,742</b>	<b>64,986</b>	<b>470,728</b>	<b>-</b>
David Easton Award	28,679	-	-	28,679	4,594	-	33,273
Heinz Eulau Award	27,493	-	-	27,493	4,403	-	31,896
James Madison Award	52,519	-	-	52,519	8,412	-	60,931
Byran O. Jackson Award	11,264	-	500	10,764	1,725	-	12,489
Gladys M. Kammerer Policy Studies Award	338,193	-	-	338,193	54,167	-	392,360
Victoria Schuck Award	34,503	507	-	35,010	5,608	-	40,618
Gregory M. Luebbert Award	17,438	-	-	17,438	2,793	-	20,231
Ithiel de Sola Pool Lectureship	22,040	3	-	22,043	3,530	-	25,573
Distinguished Teaching Award	99,023	230	-	99,253	15,897	-	115,150
C. Herman Pritchett Award	30,957	-	250	30,707	4,918	-	35,625
Aaron Wildavsky Award	12,341	-	-	12,341	1,976	-	14,317
Charles E. Merriam Award	25,033	101	-	25,134	4,025	-	29,159
Juan Linz Award	33,837	-	-	33,837	5,419	-	39,256
Wallerstein Award	55,786	-	1,000	54,786	8,775	-	63,561
LPV Data Award	4,953	-	-	4,953	794	-	5,747
Edward Dissertation Award	8,877	-	-	8,877	1,422	-	10,299
Health Politics and Policy Award	5,915	-	-	5,915	948	-	6,863
Christopher Mooney Dissertation Award	53,087	-	1,000	52,087	8,342	-	60,429
Carey McWilliams Award	2,134	-	-	2,134	342	-	2,476
John Sprague Award	7,248	-	-	7,248	1,161	-	8,409
Hanes Walton Jr Award	22,158	2,738	-	24,896	3,988	-	28,884
Michael Brintnall Teaching & Learning Fund	30,415	990	1,200	30,205	4,838	-	35,043
Powell Graduate Mentoring Award	18,376	-	-	18,376	2,943	-	21,319
Robert Dahl Award	25,742	1,025	-	26,767	4,287	-	31,054
Carsey Fund Award	-	14,645	6,050	8,595	1,377	-	9,972
APCG Fund Award	-	338	-	338	55	-	393
<b>Temporarily Restricted Awards</b>	<b>968,011</b>	<b>20,577</b>	<b>10,000</b>	<b>978,588</b>	<b>156,739</b>	<b>-</b>	<b>1,135,327</b>
<b>Total Award Funds</b>	<b>\$ 1,371,837</b>	<b>\$ 22,493</b>	<b>\$ 10,000</b>	<b>\$ 1,384,330</b>	<b>\$ 221,725</b>	<b>\$ 470,728</b>	<b>\$ 1,135,327</b>

**American Political Science Association**  
**Schedule of Changes in Centennial Funds (at Fair Value)**  
**September 30, 2017**

	Balance (at Fair Value) September 30, 2016	Contributions and Transfers	Awards, Transfers, and Related Expenses	Subtotal	Investment Income Direct and Allocated	Total (at Fair Value) 9/30/2017	
						Unrestricted	Temporarily Restricted
<b>Centennial Funds</b>							
Second Century Fund	\$ 2,009,181	\$ 103	\$ 10,300	\$ 1,998,984	\$ 320,169	\$ 2,319,153	\$ -
<b>Unrestricted Funds</b>	<u>2,009,181</u>	<u>103</u>	<u>10,300</u>	<u>1,998,984</u>	<u>320,169</u>	<u>2,319,153</u>	<u>-</u>
Artinian Fund	196,096	360	7,500	188,956	30,264	-	219,220
Barnett Fund	66,350	647	2,000	64,997	10,410	-	75,407
Beach Fund	69,593	586	-	70,179	11,240	-	81,419
Bryce Fund	44,378	225	1,495	43,108	6,905	-	50,013
Bunche Fund	17,101	9,767	19	26,849	4,301	-	31,150
Grawemeyer Fund	218,599	-	-	218,599	35,012	-	253,611
Herring Fund	71,724	-	-	71,724	11,488	-	83,212
Hseuh Fund	48,542	90	1,900	46,732	7,485	-	54,217
Kelly Fund	65,302	1,508	2,500	64,310	10,300	-	74,610
Latino Fund	119,842	1,512	4,775	116,579	18,673	-	135,252
Lipset Library Fund	43,762	170	-	43,932	7,037	-	50,969
Miller Fund	124,602	315	4,900	120,017	19,222	-	139,239
Ostrom Fund	184,390	410	7,300	177,500	28,429	-	205,929
Presidency Research Fund	111,008	546	2,500	109,054	17,467	-	126,521
Prestage Fenno Fund	118,082	962	4,500	114,544	18,346	-	132,890
Radin Fund	41,196	291	-	41,487	6,645	-	48,132
Sherrill Fund	6,519	1,152	-	7,671	1,229	-	8,900
Steiger Fund	680,708	50	25,064	655,694	105,019	-	760,713
Volcker Fund	243,164	335	-	243,499	39,000	-	282,499
Women and Politics Fund	<u>55,834</u>	<u>1,658</u>	<u>2,000</u>	<u>55,492</u>	<u>8,887</u>	<u>-</u>	<u>64,379</u>
<b>Temporarily Restricted Funds</b>	<u>2,526,792</u>	<u>20,584</u>	<u>66,453</u>	<u>2,480,923</u>	<u>397,359</u>	<u>-</u>	<u>2,878,282</u>
<b>Total Centennial Funds</b>	<u>\$ 4,535,973</u>	<u>\$ 20,687</u>	<u>\$ 76,753</u>	<u>\$ 4,479,907</u>	<u>\$ 717,528</u>	<u>\$ 2,319,153</u>	<u>\$ 2,878,282</u>