

AMERICAN POLITICAL SCIENCE ASSOCIATION

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Council
American Political Science Association

Opinion

We have audited the accompanying financial statements of American Political Science Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Political Science Association as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent American Political Science Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Association adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), during the year ended December 31, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Political Science Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Political Science Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Political Science Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 December 31, 2021, 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.

The image shows a handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style. The word "Rubins" is written in a large, rounded script, followed by an ampersand "&" and the word "Company" in a similar but slightly smaller cursive script.

March 15, 2023
Bethesda, Maryland

AMERICAN POLITICAL SCIENCE ASSOCIATION
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Cash and cash equivalents	\$ 1,026,645
Receivables, net	456,503
Pledges receivable, net	13,862
Prepaid expenses and other assets	149,556
Investments	56,470,191
Property and equipment, net	4,171,496
Other assets	40,000
Total assets	\$ 62,328,253

LIABILITIES AND NET ASSETS

Accounts payable and other accrued expenses	\$ 867,384
Deferred revenue	2,015,813
Notes payable	596,356
Derivative instrument	8,028
Funds held for others	18,829
Total liabilities	3,506,410
Net assets	
Without donor restrictions	
Undesignated	19,557,368
Board designated	5,821,115
	25,378,483
With donor restrictions	
Purpose restricted	28,443,360
Endowment funds	5,000,000
	33,443,360
Total net assets	58,821,843
Total liabilities and net assets	\$ 62,328,253

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

AMERICAN POLITICAL SCIENCE ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Membership department	\$ 1,891,166	\$ -	\$ 1,891,166
Conferences and meetings	1,216,673	-	1,216,673
Journals and publications	1,205,882	-	1,205,882
Contributions	(17,481)	89,455	71,974
Department services	190,790	-	190,790
Programs and grants	1,637,737	-	1,637,737
Congressional Fellowship Program	93,900	-	93,900
Administrative income	450,523	-	450,523
Net assets released from restrictions	738,694	(738,694)	-
Total revenue and support	7,407,884	(649,239)	6,758,645
Expenses			
Program services	8,041,026	-	8,041,026
Supporting services			
General and administrative	498,403	-	498,403
Fundraising	221,174	-	221,174
Total expenses	8,760,603	-	8,760,603
Change in net assets from operations	(1,352,719)	(649,239)	(2,001,958)
Non-operating activity			
Investment income, net	4,992,945	5,088,766	10,081,711
Swap adjustment	14,975	-	14,975
Rental income	180,420	-	180,420
Total non-operating activity	5,188,340	5,088,766	10,277,106
Change in net assets	3,835,621	4,439,527	8,275,148
Net assets, beginning of year	21,542,862	29,003,833	50,546,695
Net assets, end of year	\$ 25,378,483	\$ 33,443,360	\$ 58,821,843

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

AMERICAN POLITICAL SCIENCE ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

Cash flows from operating activities:

Change in net assets	\$	8,275,148
Reconciling adjustments:		
Depreciation and amortization		218,506
Realized and unrealized gain on investments, net		(9,174,551)
Unrealized gain on interest rate swap agreement		(14,975)
Paycheck Protection Program loan forgiveness		(450,000)
Changes in operating assets and liabilities:		
Receivables, net		369,301
Prepaid expenses and other assets		47,885
Promises to give, net		946
Accounts payable and accrued expenses		257,099
Deferred revenue		(771,527)
Funds held for others		(12,228)
Net cash used by operating activities		<u>(1,254,396)</u>

Cash flows from investing activities:

Purchase of investments		(92,249,919)
Proceeds from sale of investments		94,415,381
Purchase of property and equipment		<u>(1,014,628)</u>
Net cash provided by investing activities		<u>1,150,834</u>

Cash flows from financing activities:

Principal payments on note payable		(216,767)
Principal payments on capital lease obligation		<u>(7,866)</u>
Net cash used by financing activities		<u>(224,633)</u>

Net decrease in cash and cash equivalents		(328,195)
Cash and cash equivalents, beginning of year		<u>1,354,840</u>
Cash and cash equivalents, end of year	\$	<u><u>1,026,645</u></u>

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

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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
Year Ended December 31, 2021

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Association have been prepared in accordance with U.S. generally accepted accounting principles, which require the Association to report information regarding their financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. The Association's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Association's ongoing services. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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 September 30, 2018 through December 31, 2020 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.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

2. Summary of Significant Accounting Policies (continued)

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 \$900 for year ended December 31, 2021.

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 net assets without restrictions, unless the income is restricted by donor or law and such restrictions have not been met in the same fiscal year. The Association follows the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) reporting. The required disclosures are included in Note 9.

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 with or without restrictions with respect to stipulations imposed by the donor and applicable state law. Donated investments are recorded at fair value on the date of receipt.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

2. Summary of Significant Accounting Policies (continued)

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.

Investment Income Allocation

Interest and dividends, realized gains (losses) on sales of investments, unrealized gains (losses) on investments and advisory fees are allocated to net assets without restriction and net assets with restriction based upon the ratio of related net assets to total net assets.

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.

Revenue Recognition

Membership Dues

The Association's membership dues are collected annually from each member in U.S. dollars and recognized during the membership year. The performance obligation consists of providing members access to materials, events, and other resources throughout the membership period. Membership dues are recognized ratably over the membership period as services are simultaneously received and consumed by the members.

Deferred membership dues represent the portion of dues collected that applies to future periods. Due to the nature and timing of the performance and transfer of services, substantially all deferred dues at December 31 of each year are recognized in the following year.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Earned Income

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. Income received in advance for these fees is deferred to the period to which the fees relate.

Rental income is recognized when the performance obligation of providing space is satisfied, which is typically over the terms of the applicable rent agreement.

Contract and Grant Revenue

A portion of the Association's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. At December 31, 2021, all cost-reimbursable grants have been recognized because the qualifying expenditures have been incurred.

Non-federal grants or contributions that are with or without donor restrictions are recorded as grant or contribution revenue in the year notification is received from the donor. The Association records contributions and unconditional promises to give at fair value as support with restrictions or without restrictions, depending on the existence and/or nature of any donor restrictions, including inherent time restrictions. Non-federal grants or contributions with donor restrictions are recognized as support without restriction only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. When a time restriction ends or a purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Investment Income

Investment income is recognized as an increase in net assets without restrictions, unless the income is restricted by donor or law and such restrictions have not been met in the same fiscal year.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of the Association's various programs and activities have been summarized by function in the statement of activities. The schedule of functional expenses presents the natural classification detail of expenses by function (Note 13). 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.

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 these estimates.

Fair Value Measurements

The Association measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The Association uses valuation techniques consistent with the market, income and cost approaches to measure fair value. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

2. Summary of Significant Accounting Policies (continued)

The fair value levels are as follows:

Level 1 inputs use unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 inputs 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 are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

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 year ended December 31, 2021, there were no significant transfers in or out of levels 1, 2, or 3.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of the particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for the year ended December 31, 2021.

Money market and mutual funds are valued at the net asset value of shares held by the Association at year-end reported in the listing of the applicable major exchanges. Such securities are classified within Level 1 of the valuation hierarchy.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements – Adopted

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU provides guidance for recognizing revenue under contractual arrangements. The overall objective is to recognize revenue as promised goods and services are transferred to customers and involves employing a five step determination process.

Analysis of various provisions of these standards resulted in no significant changes in the way the Association recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

New Accounting Pronouncements – Future Periods

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a right-of-use (“ROU”) assets and lease liability on the balance sheet for most lease contracts (which include those leases that are currently classified as operating leases under the current accounting standard). Additional disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from lease contracts. The standard will be effective for the Association beginning January 1, 2022. The Association is currently evaluating the impact of the new standard on the financial statements.

Subsequent Events

Management has evaluated subsequent events through March 15, 2023, the date the financial statements were available to be issued. There were no material subsequent events that required additional recognition or disclosure in these financial statements.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

3. Availability and Liquidity

The following reflects the Association's financial assets at December 31, 2021, reduced by amounts not available for general use within one year of the statement of financial position date because of donor imposed restrictions.

Cash and cash equivalents	\$ 1,026,645
Grants and accounts receivable	456,503
Pledges receivable	13,862
Investments	<u>56,470,191</u>
Total available financial assets	<u>57,967,201</u>
Less amounts not available to be used within one year	
Board designated net assets	
Centennial funds	(2,961,152)
Awards	(654,674)
RBSI funds	(2,205,289)
Net assets with donor restrictions	
Purpose restricted for future periods	(28,443,360)
Endowment funds	<u>(5,000,000)</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u>\$ 18,702,726</u>

Operating funds are sufficient enough to meet anticipated program and general operating expenditures for the next twelve months. The Association also maintains long-term investments that are available to replenish operating funds if needed. Long-term funds are invested in accordance with the Association's Board of Directors approved investment policy intended to provide the opportunity for growth while preserving capital. Long-term funds also provide income through dividends and interest that are used to supplement operations.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

4. Investments

The following table presents the Association's fair value hierarchy for investments measured at fair value on a recurring basis at December 31, 2021:

	Fair Value Level	
	<u>(Note 2)</u>	
Money market funds	1	\$ 967,810
Mutual funds - fixed income	1	7,892,853
Mutual funds - equity	1	<u>47,609,528</u>
Total		<u>\$ 56,470,191</u>

Fund balances consist of the following at December 31, 2021:

General operating	<u>\$ 434,441</u>
Trust portfolio	
T&D fund	24,967,878
Second Century and other funds	579,154
Awards	<u>2,294,008</u>
Total trust portfolio	<u>27,841,040</u>
Congressional fellowship	<u>28,194,710</u>
Total investments	<u>\$ 56,470,191</u>

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

5. Property and Equipment

Property and equipment consist of the following at December 31, 2021:

Land	\$ 572,521
Building and building improvements	6,101,740
Furniture and fixtures	<u>1,293,391</u>
Subtotal	7,967,652
Less: accumulated depreciation and amortization	<u>(3,796,156)</u>
Property and equipment, net	<u>\$ 4,171,496</u>

For year ended December 31, 2021, depreciation and amortization expense totaled \$218,506.

6. Deferred Revenue

Deferred revenue consists of the following at December 31, 2021:

Membership	\$ 1,591,004
Grants	<u>424,809</u>
Total	<u>\$ 2,015,813</u>

The following table provides information about significant changes in deferred revenue for the year ended December 31, 2021:

Deferred revenue, beginning of year	\$ 2,787,340
Revenue recognized that was included in deferred revenue at the beginning of year	(2,787,340)
Increase in deferred revenue due to cash received during the year	<u>2,015,813</u>
Deferred revenue, end of year	<u>\$ 2,015,813</u>

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

7. Commitments and Contingencies

Paycheck Protection Program

On April 15, 2020, the Association received loan proceeds in the amount of \$450,000 through the Paycheck Protection Program (PPP), as established by the CARES Act, which allows qualifying businesses to obtain federal funding for amounts not to exceed two and a half times average monthly payroll expense. PPP loans and accrued interest are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period.

Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period. The Association used PPP loan proceeds for purposes consistent with the PPP and applied for forgiveness. To the extent that the Association is not granted forgiveness, the Association is required to pay interest on the PPP loan at a rate of 1% per annum. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Association has determined those expenses which are expected to meet the forgiveness conditions under the provisions of the CARES Act during the year ended December 31, 2021. On March 2, 2021, the Association received notice of full forgiveness of the PPP proceeds, and the debt extinguishment is reflected as a non-cash reconciling item on the statement of cash flows for the year ended December 31, 2021.

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. At December 31, 2021, the amount outstanding under the note totaled \$596,356.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

7. Commitments and Contingencies (continued)

The note has a floating interest rate at one-month LIBOR plus 175 basis points. However, the Association entered into an interest rate swap agreement for the note as discussed below. For the year ended December 31, 2021, the payments to and from the counterparty are classified as interest expense and totaled approximately \$14,000. Future maturities of principal for this obligation are as follows:

Year Ending December 31, 2022	\$ 224,701
2023	232,925
2024	<u>138,730</u>
	<u>\$ 596,356</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, which was a liability balance of \$8,028, at December 31, 2021. The difference to be paid varies as short-term interest rates change and is recognized separately as a change in net assets without restrictions on the statement of activities. The amounts recorded as an increase in net assets without restrictions for the year ended December 31, 2021 was \$14,975.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

8. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions 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 2.

Net assets with donor restrictions at December 31, 2021, are available for the following purposes:

Congressional Fellowship Program (Note 9)	\$ 22,181,169
Centennial funds	3,972,105
Award funds	1,835,094
Presidential Task Force	454,992
Endowment funds (Note 9)	<u>5,000,000</u>
Total	<u>\$ 33,443,360</u>

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

Net Assets Without Donor Restrictions – Board Designated Net Assets

Net assets without donor restrictions 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:

Centennial funds	\$ 2,961,152
Awards	654,674
RBSI funds	<u>2,205,289</u>
Total	<u>\$ 5,821,115</u>

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

9. Endowment Funds

The Association's endowment funds consist 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 (UPMIFA) 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 Association classifies as endowment funds the original value of gifts donated. The remaining portion of the donor-restricted endowment fund that is not classified as endowment funds is classified as net assets with purpose restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence described by the Act.

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).

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

9. Endowment Funds (continued)

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.

The changes in endowment net assets for the year ended December 31, 2021, are as follows:

	Endowment Earnings (With Donor Restrictions Purpose Restricted)	Endowment Funds	Total
Endowment assets, September 30, 2019	\$ 13,747,961	\$ 5,000,000	\$ 18,747,961
Investment return, net	4,878,475	-	4,878,475
Contributions	4,630	-	4,630
Amounts appropriated for expenditure	<u>(645,395)</u>	<u>-</u>	<u>(645,395)</u>
Endowment assets, December 31, 2020	17,985,671	5,000,000	22,985,671
Investment return, net	4,597,988	-	4,597,988
Contributions	1,835	-	1,835
Amounts appropriated for expenditure	<u>(404,325)</u>	<u>-</u>	<u>(404,325)</u>
Endowment assets, December 31, 2021	<u>\$ 22,181,169</u>	<u>\$ 5,000,000</u>	<u>\$ 27,181,169</u>

**AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021**

9. Endowment Funds (continued)

The net asset composition of the endowment funds as of December 31, 2021, is as follows:

	Endowment Earnings (With Donor Restrictions Purpose Restricted)	<u>Endowment Funds</u>	<u>Total</u>
Donor-restricted	\$ 22,181,169	\$ 5,000,000	\$ 27,181,169

Funds with Deficiencies

From time to time, the fair value of endowment funds may fall below the funds' original values. Deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2021, there were no endowment funds with market values below the original gift amount.

10. 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 year ended December 31, 2021, contributions to the plan totaled \$244,946.

11. Commitments

Annual Meeting Commitments

The Association has entered into agreements with hotels providing room accommodation for its Annual Meeting for 2022. 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.

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

11. Commitments (continued)

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 December 31, 2022	\$ 9,000
	2023	<u>8,250</u>
	Total minimum lease payments	17,250
	Less: amount representing interest	<u>(913)</u>
	Present value of minimum capital lease payments	<u>\$ 16,337</u>

At December 31, 2021, the book value of the capital lease asset is \$15,052, net of the related accumulated amortization of \$24,213, and is included with property and equipment.

12. Leases to Tenants

The Association leases space in its central office building and a second building to tenants through operating lease agreements extending through June 2024. The future minimum lease receipts under the lease agreements are as follows:

	Year Ending December 31, 2022	\$ 180,400
	2023	180,400
	2024	<u>90,200</u>
	Total	<u>\$ 451,000</u>

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

13. Functional Expenses

Certain functional expenses are procured, incurred and administered on a general basis. When such costs benefit multiple functions, the expenses are allocated based on the functions that directly benefit or based upon management's estimates of the proportion applicable to each function. General and administrative expenses include those expenses that are not directly identifiable with a specific function, but that provide for the overall support and management of the Association.

Expenditures were incurred along the following functional categories during the year ended December 31, 2021:

	Year Ended December 31, 2021			
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 2,401,021	\$ 952,399	\$ 119,963	\$ 3,473,383
Retirement	170,970	65,432	8,544	244,946
Professional services	374,097	409,507	-	783,604
Bad debt expense	-	3,601	-	3,601
Bank fees, insurance and interest	12,704	246,745	-	259,449
Award and sponsorship	2,036,897	19,137	-	2,056,034
Meeting and travel	936,459	14,300	4,040	954,799
Taxes, licenses and copyright	10,047	139,559	-	149,606
Dues, books and subscriptions	131,291	5,767	4,500	141,558
Advertising	2,134	105	-	2,239
Fulfillment	90,899	-	-	90,899
Staff recruitment	-	6,364	-	6,364
Printing, postage and delivery	62,943	2,717	-	65,660
Supplies and equipment	14,837	2,919	16	17,772
Depreciation	-	218,506	-	218,506
Utilities, repairs and maintenance	68,237	216,052	-	284,289
Offsite storage	55	7,839	-	7,894
Allocations of indirect expenses	<u>1,728,435</u>	<u>(1,812,546)</u>	<u>84,111</u>	<u>-</u>
Total	<u>\$ 8,041,026</u>	<u>\$ 498,403</u>	<u>\$ 221,174</u>	<u>\$ 8,760,603</u>

AMERICAN POLITICAL SCIENCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

14. Supplemental Cash Flow Information

Cash paid for interest during the year ended December 31, 2021 was \$25,781.

Forgiveness of the Paycheck Protection Program loan, a noncash financing activity, was \$450,000.

SUPPLEMENTARY INFORMATION

American Political Science Association
Schedule of Changes in Award Funds (at Fair Value)
For the Year Ended December 31, 2021

	Balance (at Fair Value) December 31, 2020	Contributions and Transfers	Awards, Transfers, and Related Expenses		Subtotal	Investment Income Direct and Allocated	Total (at Fair Value) December 31, 2021	
			Without Donor Restriction	With Donor Restriction				
Award Funds								
Carey McWilliams Award	\$ 60,071	\$ 353	\$ 750	\$ 59,674	\$ 5,412	\$ 65,086	\$ -	
E. E. Schattschneider Award	35,882	180	750	35,312	3,252	38,564	-	
Edward S. Corwin Award	53,972	335	1,500	52,807	4,893	57,700	-	
Gabriel Almond Award	53,462	485	750	53,197	4,847	58,044	-	
John Gaus Lectureship	198,939	290	-	199,229	17,926	217,155	-	
Lasswell Symposium Award	92,518	-	-	92,518	8,337	100,855	-	
Leo Strauss Dissertation Award	82,140	570	750	81,960	7,435	89,395	-	
William Anderson Award	26,167	86	750	25,503	2,372	27,875	-	
Awards without restrictions	603,151	2,299	5,250	600,200	54,474	654,674	-	
Aaron Wildavsky Award	16,747	-	500	16,247	1,502	-	17,749	
APCG Fund Award	47	-	-	47	4	-	51	
Brintnall Teaching & Learning Fund	48,896	1,200	-	50,096	4,443	-	54,539	
Byran O. Jackson Award	14,970	-	-	14,970	1,349	-	16,319	
C. Herman Pritchett Award	45,655	-	1,200	44,455	4,148	-	48,603	
Carey McWilliams Award	2,017	-	-	2,017	182	-	2,199	
Carsey Fund Award	94,487	-	-	94,487	8,514	-	103,001	
Charles E. Merriam Award	37,290	25	-	37,315	3,362	-	40,677	
Christopher Mooney Dissertation Award	42,170	-	1,000	41,170	3,786	-	44,956	
David Easton Award	41,280	-	500	40,780	3,734	-	44,514	
Distinguished Teaching Award	149,965	1,166	1,000	150,131	13,608	-	163,739	
Edward Dissertation Award	13,335	-	-	13,335	1,202	-	14,537	
Gladys M. Kammerer Policy Studies Award	502,419	25	2,000	500,444	45,288	-	545,732	
Gregory M. Luebbert Award	22,537	-	1,000	21,537	2,059	-	23,596	
Hanes Walton Jr Award	48,552	2,710	-	51,262	4,408	-	55,670	
Heinz Eulau Award	39,928	350	500	39,778	3,600	-	43,378	
Health Politics and Policy Award	9,026	-	-	9,026	813	-	9,839	
Ithiel de Sola Pool Lectureship	42,289	25	-	42,314	3,812	-	46,126	
James Madison Award	76,735	110	-	76,845	6,920	-	83,765	
John Sprague Award	9,993	-	-	9,993	900	-	10,893	
Juan Linz Award	49,577	-	500	49,077	4,466	-	53,543	
Lee Ann Fujii Award	75,531	4,085	5,326	74,290	6,897	-	81,187	
LPV Data Award	6,218	-	500	5,718	575	-	6,293	
Powell Graduate Mentoring Award	24,037	-	-	24,037	2,166	-	26,203	
Robert Dahl Award	41,214	395	750	40,859	3,733	-	44,592	
Theda Skocpol Em Schol Award	12,817	-	500	12,317	1,169	-	13,486	
Victoria Schuck Award	143,022	459	1,000	142,481	12,906	-	155,387	
Wallerstein Award	80,103	-	2,762	77,341	7,179	-	84,520	
Awards with restriction	1,690,857	10,550	19,038	1,682,369	152,725	-	1,835,094	
Total Award Funds	\$ 2,294,008	\$ 12,849	\$ 24,288	\$ 2,282,569	\$ 207,199	\$ 654,674	\$ 1,835,094	

American Political Science Association
Schedule of Changes in Centennial Funds (at Fair Value)
For the Year Ended December 31, 2021

	Balance (at Fair Value) December 31, 2020	Contributions and Transfers	Awards, Transfers, and Related Expenses	Subtotal	Investment Income Direct and Allocated	Total (at Fair Value) December 31, 2021	
						Without Donor Restriction	With Donor Restriction
Centennial Funds							
Second Century Fund	\$ 2,777,595	\$ 402	\$ 53,355	\$ 2,724,642	\$ 236,510	\$ 2,961,152	\$ -
Funds without restrictions	<u>2,777,595</u>	<u>402</u>	<u>53,355</u>	<u>2,724,642</u>	<u>236,510</u>	<u>2,961,152</u>	<u>-</u>
Artinian Fund	255,978	300	11,936	244,342	23,172	-	267,514
Barnett Fund	91,016	888	3,722	88,182	8,206	-	96,388
Beach Fund	107,221	1,046	6,500	101,767	9,673	-	111,440
Bryce Fund	61,208	30	-	61,238	5,518	-	66,756
Bunche Fund	336,110	11,977	-	348,087	30,402	-	378,489
Grawemeyer Fund	328,385	-	-	328,385	29,590	-	357,975
Herring Fund	108,144	-	10,000	98,144	9,564	-	107,708
Hseuh Fund	59,773	111	3,900	55,984	5,407	-	61,391
Latino Fund	164,525	1,605	5,880	160,250	15,031	-	175,281
Lipset Library Fund	65,340	120	-	65,460	5,886	-	71,346
Ostrom Fund	232,113	250	8,864	223,499	21,049	-	244,548
Warren E. Miller Fund	165,887	230	7,375	158,742	15,069	-	173,811
Pracademic Fund	52,064	510	8,800	43,774	4,834	-	48,608
Presidency Research Fund	125,480	550	6,848	119,182	11,276	-	130,458
Prestage Fenno Fund	171,864	1,901	2,011	171,754	15,457	-	187,211
Rita Mae Kelly Fund	91,315	1,250	2,500	90,065	8,303	-	98,368
Sherrill Fund	34,261	4,948	500	38,709	3,337	-	42,046
Steiger Fund	867,391	25	38,937	828,479	78,510	-	906,989
Volcker Fund	337,268	140	6,000	331,408	30,568	-	361,976
Women and Politics Fund	<u>80,021</u>	<u>1,190</u>	<u>4,612</u>	<u>76,599</u>	<u>7,203</u>	<u>-</u>	<u>83,802</u>
Funds with restrictions	<u>3,735,364</u>	<u>27,071</u>	<u>128,385</u>	<u>3,634,050</u>	<u>338,055</u>	<u>-</u>	<u>3,972,105</u>
Total Centennial Funds	<u>\$ 6,512,959</u>	<u>\$ 27,473</u>	<u>\$ 181,740</u>	<u>\$ 6,358,692</u>	<u>\$ 574,565</u>	<u>\$ 2,961,152</u>	<u>\$ 3,972,105</u>