

American Association Of Physicists In Medicine

Financial Report
December 31, 2011

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Independent Auditor's Report

To the Board of Directors
American Association of Physicists in Medicine
College Park, Maryland

We have audited the accompanying balance sheet of American Association of Physicists in Medicine (the Association) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Association's 2010 financial statements and in our report, dated June 20, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of American Association of Physicists in Medicine as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Gaithersburg, Maryland
Report Date

American Association Of Physicists In Medicine

Balance Sheet

December 31, 2011

(With Comparative Totals For 2010)

Assets	2011	2010
Cash	\$ 839,490	\$ 675,809
Receivables	509,023	369,333
Investments	10,801,492	11,583,620
Prepaid Expenses	271,677	282,440
Property And Equipment, net	125,536	95,064
	\$ 12,547,218	\$ 13,006,266

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 905,539	\$ 1,308,129
Deferred revenue	1,494,319	1,524,829
Capital lease obligation	15,817	20,571
Deferred rent	16,634	-
Accrued postretirement benefits	408,738	342,049
	2,841,047	3,195,578

Commitments And Contingency (Notes 7, 8, And 13)

Net Assets

Unrestricted	8,596,959	8,819,334
Temporarily restricted	1,051,994	938,823
Permanently restricted	57,218	52,531
	9,706,171	9,810,688
	\$ 12,547,218	\$ 13,006,266

See Notes To Financial Statements.

American Association Of Physicists In Medicine

**Statement Of Activities
Year Ended December 31, 2011
(With Comparative Totals For 2010)**

	2011			2010 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and support:					
Membership fees and general	\$ 1,552,371	\$ -	\$ -	\$ 1,552,371	\$ 1,516,942
Education and professional development	2,967,648	-	-	2,967,648	2,964,418
Publications	2,377,679	-	-	2,377,679	2,307,052
Council and committees	603,769	-	-	603,769	504,724
Scholarships, residencies, and awards	-	234,874	4,687	239,561	110,813
Other income	215,430	-	-	215,430	109,684
Net assets released from restrictions	136,024	(136,024)	-	-	-
Total revenue and support	7,852,921	98,850	4,687	7,956,458	7,513,633
Expenses:					
Program services:					
Membership fees and general	1,166,469	-	-	1,166,469	1,183,782
Education and professional development	2,335,553	-	-	2,335,553	1,931,215
Publications	1,379,085	-	-	1,379,085	1,363,295
Council and committees	1,838,508	-	-	1,838,508	1,748,453
Scholarships, residencies, and awards	222,302	-	-	222,302	143,298
Other	229,161	-	-	229,161	266,714
Support services:					
General and administrative	1,023,404	-	-	1,023,404	970,875
Total expenses	8,194,482	-	-	8,194,482	7,607,632
Change in net assets before investment income	(341,561)	98,850	4,687	(238,024)	(93,999)
Investment income	119,186	14,321	-	133,507	957,546
Change in net assets	(222,375)	113,171	4,687	(104,517)	863,547
Net assets:					
Beginning	8,819,334	938,823	52,531	9,810,688	8,947,141
Ending	\$ 8,596,959	\$ 1,051,994	\$ 57,218	\$ 9,706,171	\$ 9,810,688

See Notes To Financial Statements.

American Association Of Physicists In Medicine

Statement Of Functional Expenses
Year Ended December 31, 2011
(With Comparative Totals For 2010)

	2011							2010
	Membership Fees And General	Education And Professional Development	Publications	Council And Committees	Other	General And Administrative	Total	Total
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,919,447	\$ 1,919,447	\$ 1,873,689
Payroll taxes and benefits	-	-	-	-	-	612,466	612,466	644,587
Consultants and outside services	14,650	98,640	534,019	288,416	28,721	4,574	969,020	1,230,828
Meetings	42,232	818,468	695	53,853	-	13,239	928,487	774,046
Travel	45,981	234,036	10,669	244,243	1,504	910	537,343	403,895
Awards and contributions	2,611	27,550	73,320	184,906	228,163	-	516,550	388,552
Supplies and minor equipment	29,864	310,905	123,348	11,530	-	18,409	494,056	479,783
Professional fees	47,068	7,343	1,183	363,562	-	-	419,156	361,491
Occupancy	2,071	76,681	1,475	-	-	285,694	365,921	282,467
Printing and publications	252	52,164	215,935	12,136	-	856	281,343	247,968
Taxes and licenses	-	4,279	136,156	91,108	-	-	231,543	87,972
Temporary labor	19,023	33,177	117,107	-	-	-	169,307	136,405
Dues and subscriptions	3,000	-	-	66,248	75,810	4,013	149,071	109,113
Bank charges and credit card fees	116,243	(209)	9,104	6,178	-	-	131,316	123,327
Postage and delivery	512	28,023	63,847	5,847	33	7,223	105,485	73,930
Insurance	17,483	7,616	-	18,082	-	38,627	81,808	70,813
Depreciation	-	-	-	-	-	59,279	59,279	124,992
Telephone/internet	778	25,923	8	11,795	-	10,116	48,620	39,619
Repairs and maintenance	32,186	-	-	-	-	7,659	39,845	40,186
CEC application and certification fees	-	23,924	3,844	9,529	-	-	37,297	29,332
Lobbying	-	-	-	26,175	-	-	26,175	33,100
Other	2,412	37,279	4,861	11,441	1,500	13,454	70,947	51,537
Salary and overhead allocation	790,103	549,754	83,514	433,459	115,732	(1,972,562)	-	-
	\$ 1,166,469	\$ 2,335,553	\$ 1,379,085	\$ 1,838,508	\$ 451,463	\$ 1,023,404	\$ 8,194,482	\$ 7,607,632

See Notes To Financial Statements.

American Association Of Physicists In Medicine

Statement Of Cash Flows
Year Ended December 31, 2011
(With Comparative Totals For 2010)

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ (104,517)	\$ 863,547
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	59,279	124,992
Deferred rent	16,634	(36,698)
Realized and unrealized loss (gain) on investments	125,312	(713,112)
Contributions restricted to permanent endowment	(4,687)	(2,980)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(139,690)	106,563
Prepaid expenses	10,763	16,644
Increase (decrease) in:		
Accounts payable and accrued expenses	(402,590)	586,627
Accrued postretirement benefits	66,689	74,311
Deferred revenue	(30,510)	62,420
Net cash (used in) provided by operating activities	(403,317)	1,082,314
Cash Flows From Investing Activities		
Purchase of property and equipment	(89,751)	(45,770)
Purchase of investments	(4,872,161)	(5,969,606)
Proceeds from sale of investments	5,528,977	5,328,831
Net cash provided by (used in) investing activities	567,065	(686,545)
Cash Flows From Financing Activities		
Principal payments on capital lease obligation	(4,754)	(4,714)
Contributions restricted for restricted endowment	4,687	2,980
Net cash used in financing activities	(67)	(1,734)
Net increase in cash	163,681	394,035
Cash:		
Beginning	675,809	281,774
Ending	\$ 839,490	\$ 675,809
Supplemental Disclosure Of Cash Flow Information		
Cash payments for income taxes	\$ 100,000	\$ 40,000

See Notes To Financial Statements.

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: American Association of Physicists in Medicine (the Association) is an educational and scientific organization chartered for the purpose of promoting the application of physics in medicine and biology.

The mission of the Association is to advance the practice of physics in medicine and biology by encouraging innovative research and development, disseminating scientific and technical information, fostering the education and professional development of medical physicists, and promoting the highest quality medical services for patients.

The Association, through the American Institute of Physics (AIP), publishes the *Medical Physics Journal* and various other publications in the field of medical physics.

A summary of the Association's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred. Revenue received, which relates to future periods, is recorded as deferred revenue. Expenses paid, which relate to future periods, are recorded as prepaid expenses.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Non-Profit Entities Topic of the Codification, *Financial Statements of Not-for-Profit Organizations*, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Cash: All cash held by the investment custodians are considered investments.

Financial risk: The Association maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant financial risk on cash.

The Association invests in mutual funds and U.S. Treasury obligations. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Receivables: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering a customer's financial condition, credit history, and current economic conditions. Management believes receivables were fully collectible at December 31, 2011, and an allowance for doubtful accounts was not necessary. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. The Association does not charge interest on receivables.

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Prepaid expenses: Prepaid expenses consist primarily of deferred costs related to future meetings. Prepaid meeting costs associated with a particular meeting are expensed in the year the meeting is held.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair market value. Realized and unrealized gains and losses are reported in the statement of activities.

Property and equipment: The Association's property and equipment are stated at cost. The Association capitalizes all property and equipment purchased with a cost of \$1,000 or more. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the lease, which is ten years.

Valuation of long-lived assets: The Association accounts for the valuation of long-lived assets under the Property, Plant, and Equipment Topic of the Codification. This topic requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Deferred rent: Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the balance sheet. In addition, deferred rent also includes the landlord incentive on a portion of the leasehold improvement cost, which is being amortized over the life of the lease.

Permanently restricted net assets: Permanently restricted net assets at December 31, 2011, were comprised of four funds: The Cameron Fund, The Greenfield Fund, The Farrington Daniels Endowment Fund, and Endowed Education and Research Fund. Investment income generated from The Cameron Fund, The Greenfield Fund, and The Farrington Daniels Endowment Fund is used to fund the respective awards. The Cameron Fund is used to fund the Young Investigators Award, given to the top three presentations of scientific work, as submitted for consideration for the award at the annual meeting. The Greenfield Fund is used to fund the Greenfield Award, which is given to the author of the "best paper," as determined, published in the *Medical Physics Journal*, other than papers on radiation dosimetry. The Farrington Daniels Award is given to the author of the best article on radiation dosimetry published in *Medical Physics* for the calendar year. The funds generated from Endowed Education and Research Fund are used to fund other awards as needed.

Income taxes: The Association is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Under current Internal Revenue Service (IRS) regulations, advertising and management fee revenue earned is subject to unrelated business income tax. For the year ended December 31, 2011, the Association had net unrelated business income of approximately \$639,000.

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

The Association follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Association had no such positions recorded in the financial statements at December 31, 2011. Generally, the Association is no longer subject to U.S. federal income tax positions by tax authorities for years before 2008.

Restricted and unrestricted revenue and support: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the 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.

Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Membership dues and subscription revenue are recognized ratably over the applicable dues or subscription period, which coincides with the Association's fiscal year. Revenue received for dues and subscriptions that relates to subsequent years has been recorded as deferred revenue.

Conference and seminar fees are recognized at the time of the conference or seminar. Amounts received in advance are recorded as deferred revenue.

Use of estimates: The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior period information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Subsequent events: The Association evaluated subsequent events through **Report Date**, which is the date the financial statements were available to be issued.

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 2. Receivables

Receivables at December 31, 2011, consist of the following:

Due from related party	\$ 239,553
<i>Medical Physics</i> advertising	82,503
Trade receivables	74,906
Other	73,080
<i>Medical Physics</i> excess page	22,050
<i>Medical Physics</i> On-Line	16,931
	<u>\$ 509,023</u>

Note 3. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2011, and depreciation expense for the year ended December 31, 2011, consist of the following:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Leasehold improvements	10 years	\$ 387,333	\$ 387,333	\$ -	\$ 5,601
Furniture and fixture	5 to 10 years	173,241	172,506	735	477
Equipment and software	3 to 5 years	545,296	435,407	109,889	48,074
Capital lease	5 years	25,638	10,726	14,912	5,127
		<u>\$ 1,131,508</u>	<u>\$ 1,005,972</u>	<u>\$ 125,536</u>	<u>\$ 59,279</u>

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 4. Investments

Investments at December 31, 2011, consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating/Short-Term:				
Certificates of deposit	\$ 999,699	\$ 1,519	\$ 16,000	\$ 1,017,218
U.S. Treasury obligations	199,846	8,628	14,000	222,474
Cash and cash equivalents	181,476	19,745	4,687	205,908
	<u>1,381,021</u>	<u>29,892</u>	<u>34,687</u>	<u>1,445,600</u>
Long-Term:				
Mutual funds	8,479,557	853,804	22,531	9,355,892
	<u>\$ 9,860,578</u>	<u>\$ 883,696</u>	<u>\$ 57,218</u>	<u>\$ 10,801,492</u>

Investment income for the year ended December 31, 2011, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 233,159	\$ 25,660	\$ -	\$ 258,819
Realized and unrealized loss	(113,973)	(11,339)	-	(125,312)
	<u>\$ 119,186</u>	<u>\$ 14,321</u>	<u>\$ -</u>	<u>\$ 133,507</u>

Note 5. Deferred Revenue

The Association has received certain payments obligating the Association to perform future services. Deferred revenue at December 31, 2011, consists of the following:

Memberships	\$ 1,076,508
Subscriptions	417,811
	<u>\$ 1,494,319</u>

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 6. Postretirement Benefit Obligation

The Association sponsors a postretirement health care and life insurance plan (the Plan) for all employees that meet eligibility requirements.

At December 31, 2011, the Association continued to be in compliance with the Codification standard, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

The standard applies to employers that sponsor single-employer defined benefit and other postretirement plans, including not-for-profit organizations. This standard changes the funded status calculation of its postretirement benefits (health and life) plan. Funded status is defined as the difference between the fair value of the Plan and the accumulated postretirement benefit obligation.

The following table sets forth the Plan's funded status, reconciled with the obligation recognized in the accompanying balance sheet at December 31, 2011:

Obligations and funded status at end of year:	
Fair value of Plan assets	\$ -
Benefit obligations	408,738
Funded status (Plan assets less benefit obligations)	<u>\$ (408,738)</u>

Amounts recognized in balance sheet as:	
Accrued benefit cost	\$ (408,738)
Net amount recognized in balance sheet	<u>\$ (408,738)</u>

Assumptions:	
Weighted average assumptions used in computing ending obligations:	
Discount rate	4.50%
Weighted average assumptions used in computing net cost:	
Discount rate	4.50%
Expected return on Plan assets	N/A

Assumed health care cost trend rates have a significant effect on the amounts reported for the Plan. For measurement purposes, at the end of the year included in the foregoing tables, a ten percent rate of increase was assumed for 2007, and a gradually lower rate of increase is assumed for years after 2007, until the rate of increase is assumed to be five percent in 2012 and remain at that level.

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 6. Postretirement Benefit Obligation (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years Ending December 31,

2012	\$	14,000
2013		15,000
2014		16,000
2015		16,000
2016		16,000
2017 – 2021		142,000

Note 7. Leases

Operating lease: The Association renewed its office lease for an additional five-year term commencing on January 1, 2011, and ending on December 31, 2015. Rent expense for the year ended December 31, 2011, is comprised of the following components:

Base rent	\$	222,336
Common service charge		43,499
Storage fees		3,225
		<hr/>
		269,060
Deferred rent – straight-line adjustment		16,634
	\$	<hr/>
		285,694
		<hr/>

The future minimum lease payments under this lease are as follows:

Years Ending December 31,

2012	\$	277,114
2013		285,427
2014		293,990
2015		302,810
		<hr/>
	\$	1,159,341
		<hr/>

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 7. Leases (Continued)

Capital leases: The Association leases two copiers under capital leases recorded at the fair value of the asset at acquisition. The equipment is being depreciated over an estimated useful life of five years. Future minimum lease payments required under the leases are as follows:

Years Ending December 31,

2012	\$	6,165
2013		6,165
2014		5,651
		<hr/>
		17,981
Less amount representing interest		2,164
	\$	<hr/> <hr/>
		15,817

Note 8. Commitments

The Association has entered into several contracts for various services for each of the years ending December 31, 2012, through 2014. In the event of cancellation, the Association is required to pay various cancellation fees as stipulated in the contracts, the amounts of which are dependent on the date of cancellation. As of December 31, 2011, the Association had potential future liabilities totaling approximately \$1,172,747.

The Association has entered into an employment contract with the Executive Director of the Association, which provides for a severance payment under certain circumstances of one year's salary. The terms of the employment contract remain enforceable until amended.

Note 9. Related Party Transactions

The Association is a member society of AIP, which provides the Association with a variety of services, including office space (as co-landlord, along with the American Physical Society), publication and related services for the *Medical Physics Journal*, and other financial services. The Association paid AIP \$1,378,418 for these services for the year ended December 31, 2011. The Association also reimbursed AIP \$2,174,068 during the year ended December 31, 2011, for payroll and other costs paid by AIP on behalf of the Association. The Association reimburses AIP for these services, net of amounts collected by AIP on behalf of the Association. At December 31, 2011, AIP owed the Association \$239,553, which is included in accounts receivable in the accompanying balance sheet. The Association also owed AIP \$435,065 at December 31, 2011, which is included in accounts payable in the accompanying balance sheet.

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011, are available for the following programs. Net assets during the year ended December 31, 2011, were released from restrictions by incurring expenses satisfying the restricted purpose.

	Balance December 31, 2010	Additions/ Investment Income	Assets Released From Restrictions	Balance December 31, 2011
Education and Research Fund	\$ 825,362	\$ 236,423	\$ 131,707	\$ 930,078
Krohmer Memorial	32,630	1,991	-	34,621
History	19,437	2,354	-	21,791
Hy Glaser Memorial	12,324	1,248	-	13,572
International	7,484	1,477	900	8,061
Laughlin	2,679	1,575	-	4,254
ISEP – Asian Oceanic	3,932	90	-	4,022
Ed Webster Memorial	1,179	1,099	-	2,278
Cameron Memorial	2,140	60	-	2,200
Member Memorial	2,114	48	-	2,162
D. Jones Memorial	1,917	181	-	2,098
Loevinger Memorial	1,885	44	-	1,929
Kendall-Hunt	1,040	24	-	1,064
John Hale Memorial	195	30	-	225
Jack Fowler	37	-	37	-
Gammex	1,500	-	1,500	-
Endowment Funds:				
Farrington Daniels	169	804	473	500
Cameron YIA	9,536	538	574	9,500
Greenfield	8,248	538	628	8,158
Education and Research Fund	5,015	671	205	5,481
	<u>\$ 938,823</u>	<u>\$ 249,195</u>	<u>\$ 136,024</u>	<u>\$ 1,051,994</u>

Note 11. Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2011, consist of the following:

Endowed Education and Research Fund	\$ 25,218
The Farrington Daniels Endowment Fund	18,000
The Cameron Fund	7,000
The Greenfield Fund	7,000
	<u>\$ 57,218</u>

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 11. Permanently Restricted Net Assets (Continued)

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 expenditures by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

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 purchasing power of the endowment assets.

All earnings for the endowment are reflected as temporarily restricted net assets, until appropriated for expenditure by the Board of Directors.

The endowment net asset composition by type of fund as of December 31, 2011, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 23,639	\$ 57,218	\$ 80,857

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 11. Permanently Restricted Net Assets (Continued)

The change in the endowment net assets for the year ended December 31, 2011, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 22,968	\$ 52,531	\$ 75,499
Contributions	-	-	4,687	4,687
Appropriation of endowment assets	-	(1,880)	-	(1,880)
Investment return:				
Interest and dividends	-	2,533	-	2,533
Realized and unrealized gains	-	18	-	18
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 23,639</u>	<u>\$ 57,218</u>	<u>\$ 80,857</u>

Note 12. Retirement Plans

The Association has a defined contribution retirement plan (the Plan) for its employees who are at least 21 years of age and have completed one year of service. The Association contributes ten percent of eligible salaries under the Plan. For the year ended December 31, 2011, employer contributions totaled \$182,693.

In addition, the Association offers a tax-deferred annuity plan for its employees under Section 403(b), whereby, employees can voluntarily defer a portion of their salaries on a before-tax basis up to limits imposed by the IRS. There were no employer contributions under this plan. This plan was merged with the defined contribution retirement plan effective December 31, 2010.

Note 13. Contingency

There is a pending lawsuit against the Association for violations of Section 1 of the Sherman Antitrust Act and Section 16 of the Clayton Act. The Plaintiff is seeking, among other things, an award of attorney fees under the antitrust laws, which could be in excess of \$400,000. Management, based on consultation with its legal counsels, is of the opinion that the ultimate outcome of the lawsuit will have no material impact on the financial position, change in net assets, or liquidity of the Association

Note 14. Fair Value Measurements

The Association follows the FASB Codification Topic on Fair Value Measurements. The topic establishes a single authoritative definition of fair value, sets out a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. This topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Observable market-based inputs or unobservable inputs corroborated by market data
- Level 3 – Unobservable inputs that are not corroborated by market data

American Association Of Physicists In Medicine

Notes To Financial Statements

Note 14. Fair Value Measurements (Continued)

The estimated fair values of the Association's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

In determining the appropriate levels, the Association performs a detailed analysis of the assets that are subject to the Codification standard. The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Mutual Funds:				
Intermediate-Term Bond	\$ 3,193,735	\$ 3,193,735	\$ -	\$ -
Large Value	2,199,899	2,199,899	-	-
Large Growth	2,122,916	2,122,916	-	-
Foreign Large Blend	1,454,300	1,454,300	-	-
World Bond	385,042	385,042	-	-
U.S. Treasury Obligations	222,474	-	222,474	-
	<u>\$ 9,578,366</u>	<u>\$ 9,355,892</u>	<u>\$ 222,474</u>	<u>\$ -</u>

The Association's mutual funds are publicly traded on the New York Stock Exchange and are considered Level 1 items. The Association's U.S. Treasury obligations are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments, and are therefore, considered Level 2 items.

Cash and certificates of deposit totaling \$1,223,126 at December 31, 2011, are not included in the above table, because they are recorded at cost.



Independent Auditor's Report On The Supplementary Information

To the Board of Directors
American Association of Physicists in Medicine
College Park, Maryland

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information 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 prior year's summarized comparative supplementary information has been derived from the Association's 2010 financial statements and in our report, dated June 20, 2011, we expressed an unqualified opinion on such information in relation to the financial statements taken as a whole.

Gaithersburg, Maryland
Report Date

American Association Of Physicists In Medicine

**Schedule Of Revenue And Expenses
Year Ended December 31, 2011
(With Comparative Totals For 2010)**

	2011	2010
Revenue and support:		
Membership fees and general:		
Membership dues and other fees	\$ 1,552,333	\$ 1,507,468
Membership services	38	4,713
Administration/HQ	-	4,761
	<u>1,552,371</u>	<u>1,516,942</u>
Education and professional development:		
Annual meeting	2,713,640	2,473,183
Other educational programs	117,442	427,283
Summer school	136,566	63,952
	<u>2,967,648</u>	<u>2,964,418</u>
Publications:		
<i>Medical Physics</i>	2,371,731	2,301,842
Other publications	5,948	5,210
	<u>2,377,679</u>	<u>2,307,052</u>
Council and committees:		
Administrative	53,135	330,940
Education	167,840	119,453
Professional	362,794	39,331
Science	20,000	15,000
	<u>603,769</u>	<u>504,724</u>
Scholarships, residencies, and awards	239,561	110,813
Other income	215,430	109,684
	<u>454,991</u>	<u>220,497</u>
Investment income	133,507	957,546
Total revenue and support	<u>8,089,965</u>	<u>8,471,179</u>

(Continued)

American Association Of Physicists In Medicine

Schedule Of Revenue And Expenses (Continued)

Year Ended December 31, 2011

(With Comparative Totals For 2010)

	2011	2010
Expenses:		
Membership fees and general:		
Membership services	419,102	524,221
Membership fees and general	487,296	383,984
Organization and governance	260,071	275,577
	1,166,469	1,183,782
Education and professional development:		
Annual meeting	1,945,786	1,445,880
Other educational programs	228,119	421,310
Summer school	161,648	64,025
	2,335,553	1,931,215
Publications:		
<i>Medical Physics</i>	1,376,524	1,362,040
Other publications	2,561	1,255
	1,379,085	1,363,295
Council and committees:		
Administrative	555,988	669,345
Professional	722,589	571,709
Education	312,122	291,796
Science	247,809	215,603
	1,838,508	1,748,453
Scholarships, residencies, and awards	222,302	143,298
Other	229,161	266,714
General and administrative	1,023,404	970,875
	1,474,867	1,380,887
Total expenses	8,194,482	7,607,632
Change in net assets	\$ (104,517)	\$ 863,547