Financial Report December 31, 2010

Contents

Independent Auditor's Report On The Financial Statements	1
Financial Statements	
Balance Sheets	2
Statement Of Activities – 2010	3
Statement Of Activities – 2009	4
Statements Of Cash Flows	5
Notes To Financial Statements	6 – 18
Notes To Financial Statements Independent Auditor's Report On The Supplementary Information	6 – 18 19



Independent Auditor's Report

To the Executive Board The American Association of Physics Teachers, Inc. College Park, Maryland

We have audited the accompanying balance sheets of The American Association of Physics Teachers, Inc. (the Association) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Association of Physics Teachers, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports, dated September 21, 2011, and August 12, 2010, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

McGladrey of Pullen, LLP

Gaithersburg, Maryland September 21, 2011

Balance Sheets December 31, 2010 And 2009

Assets		2010		2009
Cash And Cash Equivalents	\$	575,451	\$	700,024
Investments		3,190,735		3,236,556
Receivables, net				
Grants		190,809		158,366
Due from affiliate		54,972		35,000
Membership		58,892		6,026
Other		9,655		9,655
Inventory		78,454		129,033
Prepaid Expenses		59,729		89,272
Investment In ACP		134,626		47,487
Property And Equipment, net		23,333		53,793
	\$	4,376,656	\$	4,465,212
Liabilities And Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$	265,555	\$	372,283
Accrued payroll and related liabilities	•	287,532	•	394,534
Unearned revenue		1,903,458		2,089,931
Capital lease obligation		16,146		6,610
Deferred compensation obligation				38,896
Accrued postretirement benefit obligation		356,573		347,832
Accided positetirement benefit obligation		2,829,264		3,250,086
Commitments (Note 9)				
Net Assets				
Unrestricted				
Undesignated		674,064		424,496
Board designated		173,278		184,415
		847,342		608,911
Temporarily restricted		268,365		174,530
Permanently restricted		431,685		431,685
		1,547,392		1,215,126
	\$	4,376,656	\$	4,465,212

Statement Of Activities Year Ended December 31, 2010

		Unres	tricte	ed					
				Board	- т	emporarily	Р	ermanently	
	U	ndesignated	D	esignated	F	Restricted	F	Restricted	Total
Revenue and support:									
American Journal of Physics	\$	1,481,751	\$	-	\$	-	\$	-	\$ 1,481,751
The Physics Teacher		869,418		-		-		-	869,418
Investment income		371,500		-		107,415		-	478,915
Other publications		157,938		-		-		-	157,938
Meetings, workshops, and projects		767,339		-		-		-	767,339
Membership		833,368		-		-		-	833,368
Grants		740,614		-		-		-	740,614
Contributions		150,129		859		-		-	150,988
International Physics Olympiad		64,800		-		-		-	64,800
Share in earnings of investment in ACP		87,139		-		-		-	87,139
Miscellaneous income		2,235		-		-		-	2,235
Net assets released from restrictions		25,576		(11,996)		(13,580)		-	-
Total revenue and support		5,551,807		(11,137)		93,835		-	5,634,505
Expenses:									
Program services:									
American Journal of Physics		807,339		-		-		-	807,339
The Physics Teacher		622,893		-	-			-	622,893
Other publications		769,008		-		-		-	769,008
Meetings, workshops, and projects		1,042,468		-		-		-	1,042,468
Membership		873,960		-		-		-	873,960
Grants		757,468		-		-		-	757,468
General and administrative		320,354		-		-		-	320,354
Fundraising		108,749		-		-		-	108,749
Total expenses		5,302,239		-		-		-	5,302,239
Change in net assets		249,568		(11,137)		93,835		-	332,266
Net assets:									
Beginning		424,496		184,415		174,530		431,685	1,215,126
Ending	\$	674,064	\$	173,278	\$	268,365	\$	431,685	\$ 1,547,392

Statement Of Activities Year Ended December 31, 2009

		Unres	tricte	ed					
				Board	- T	emporarily	Р	ermanently	
	U	ndesignated	D	esignated	F	Restricted	F	Restricted	Total
Revenue and support:									
American Journal of Physics	\$	1,419,540	\$	-	\$	-	\$	-	\$ 1,419,540
The Physics Teacher		881,933		-		-		-	881,933
Investment income		513,705		59,026		121,277		-	694,008
Other publications		18,343		-		-		-	18,343
Meetings, workshops, and projects		827,845		-		-		-	827,845
Membership		594,735		-		-		-	594,735
Grants		951,713		-		-		-	951,713
Contributions		62,882		8,869		-		-	71,751
International Physics Olympiad		30,722		-		-		-	30,722
Share in earnings of investment in ACP		39,865		-		-		-	39,865
Miscellaneous income		21,542		-		-		-	21,542
Net assets released from restrictions		9,452		(9,452)		-		-	-
Total revenue and support		5,372,277		58,443		121,277		-	5,551,997
Program services: American Journal of Physics The Physics Teacher Other publications Meetings, workshops, and projects Membership Grants General and administrative Fundraising Total expenses	_	796,888 716,549 658,402 1,175,040 849,516 1,048,712 274,309 94,759 5,614,175		- - - - - - -		- - - - - - -		- - - - - - -	796,888 716,549 658,402 1,175,040 849,516 1,048,712 274,309 94,759 5,614,175
Change in net assets		(241,898)		58,443		121,277		-	(62,178)
Net assets: Beginning		719,647		125,972				431,685	1,277,304
Transfers		(53,253)		125,972		53,253		431,000	1,277,304
Ending	\$	424,496	\$	184,415	\$	174,530	\$	431,685	\$ 1,215,126

Statements Of Cash Flows Years Ended December 31, 2010 And 2009

Change in net assetts \$ 332,266 \$ (62,178) Adjustments to reconcile change in net assets to net cash used in operating activities: 44,797 84,351 Depreciation and amortization 44,797 84,351 Gain on investments (409,282) (598,696) Earnings on investment in ACP (87,139) (39,865) Loss on sale of property and equipments 6,063 - Changes in assets and liabilities: (Increase) decrease in: 80,122 (28,242) Receivables (105,281) 55,112 55,112 Inventory and prepaid expenses 80,122 (28,242) Increase (decrease) in: (213,730) (248,086) Uncarred revenue (186,473) 531,017 Deferred compensation obligation 30,896 36,090 Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (631,669) (1,040,151) Purchases of investing Activities (631,669) (1,040,151) Proceeds from sale of investments (631,669) (1,040,151) Procept yand equipment			2010		2009
Adjustments to reconcile change in net assets to net cash used in operating activities: 44,797 84,351 Depreciation and amortization 44,797 84,351 Gain on investments (409,282) (598,696) Earnings on investment in ACP (87,139) (39,865) Loss on sale of property and equipments 6,063 - Changes in assets and liabilities: (Increase) decrease in: (105,281) 55,112 Receivables (105,281) 55,112 10,000 Inventory and prepaid expenses 80,122 (28,242) Increase (decrease) in: (213,730) (248,086) Accounts payable and accrued liabilities (213,730) (248,086) Unearned revenue (186,473) 531,017 Deferred compensation obligation (38,896) (36,090) Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities (58,672) (1,664,29) Purchases of investments (631,669) (1,040,151) Proceeds from sale	Cash Flows From Operating Activities				_
Section Sect	Change in net assets	\$	332,266	\$	(62,178)
Depreciation and amortization 44,797 (499,282) (598,696) (598,696) Gain on investments in ACP (87,139) (39,865) Loss on sale of property and equipments (Increase) decrease in: 6,063 - Receivables (Increase) decrease in: (105,281) 55,112 Receivables (Inventory and prepaid expenses (B1,22) 80,122 (28,242) Increase (decrease) in: (213,730) (248,086) Accounts payable and accrued liabilities (Park Accrued postreitmenent expense) (186,473) 531,017 Deferred compensation obligation (Park Cash used in operating activities (Park Cash used of investments (B3,669) (1,040,151) Purchases of investments (Park Cash used of investments (B3,667) (1,040,151) Purchase of property and equipment (Park Cash provided by investing activities (B3,669) (1,040,151) Cash Flows From Financing Activities (B4,000) (10,864) (8,000) Net cash used in financing activities (Park Used Cash used Cash used in financing activities (Park Used Cash used Cas	Adjustments to reconcile change in net assets to net cash				
Gain on investments (409,282) (598,696) Earnings on investment in ACP (87,139) (39,865) Loss on sale of property and equipments 6,063 - Changes in assets and liabilities: (Increase) decrease in: 80,122 (28,242) Receivables (105,281) 55,112 Inventory and prepaid expenses 80,122 (28,242) Increase (decrease) in: 213,730) (248,086) (248,086) (186,473) 531,017 Accounts payable and accrued liabilities (213,730) (248,086) (186,473) 531,017 Deferred compensation obligation (38,896) (36,090) Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities (568,812) (354,042) Purchases of investments (631,669) (1,040,151) Proceeds from sale of investments (631,669) (1,040,151) Proceeds from sale of investments (1,086,429) (17,336) Net cash provided by investing activities (10,864) (8,000	used in operating activities:				
Earnings on investment in ACP (87,139) (39,865) Loss on sale of property and equipments 6,063 - Changes in assets and liabilities: (Increase) decrease in: 80,122 (28,242) Inventory and prepaid expenses 80,122 (28,242) Increase (decrease) in: 201,7300 (248,086) Accounts payable and accrued liabilities (213,730) (248,086) Unearned revenue (186,473) 531,017 Deferred compensation obligation (38,896) (36,090) Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities (631,669) (1,040,151) Proceeds from sale of investments (631,669) (1,040,151) Proceeds from Financing Activities (10,864) (8,000) Ret cash Plows From Financin	Depreciation and amortization		44,797		84,351
Loss on sale of property and equipments	Gain on investments		(409,282)		(598,696)
Changes in assets and liabilities: (Increase) decrease in: 55,112 Receivables (105,281) 55,112 Inventory and prepaid expenses 80,122 (28,242) Increase (decrease) in: (213,730) (248,086) Accounts payable and accrued liabilities (213,730) (324,086) Unearned revenue (186,473) 531,017 Deferred compensation obligation 33,896) (36,090) Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities Purchases of investments (631,669) (1,040,151) Proceeds from sale of investments (631,669) (1,040,151) Proceeds from sale of investments 455,103 638,942 Purchase of property and equipment - (17,336) Net cash provided by investing activities 455,103 638,942 Cash Flows From Financing Activities (10,864) (8,000) Principal payments on capital lease obligation (10,864) (8,000) Net (decrease) increase in	Earnings on investment in ACP		(87,139)		(39,865)
(Increase) decrease in: (105,281) 55,112 Receivables 80,122 (28,242) Increase (decrease) in: (213,730) (248,086) Accounts payable and accrued liabilities (213,730) (248,086) Unearned revenue (186,473) 531,017 Deferred compensation obligation (38,896) (36,090) Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (568,812) (354,042) Purchases of investments pactivities (631,669) (1,040,151) Proceeds from sale of investments 1,086,772 1,696,429 Purchase of property and equipment - (17,336) Net cash provided by investing activities 455,103 638,942 Cash Flows From Financing Activities (10,864) (8,000) Principal payments on capital lease obligation (10,864) (8,000) Net (decrease) increase in cash and cash equivalents (124,573) 276,900 Cash And Cash Equivalents: Beginning 700,024 423,124 Ending \$75,451 700	Loss on sale of property and equipments		6,063		-
Receivables (105,281) 55,112 Inventory and prepaid expenses 80,122 (28,242) Increase (decrease) in: (213,730) (248,086) Accounts payable and accrued liabilities (213,730) (248,086) Unearned revenue (186,473) 531,017 Deferred compensation obligation (38,896) (36,090) Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities (631,669) (1,040,151) Proceeds from sale of investments (631,669) (1,040,151) Proceeds from sale of investments 1,086,772 1,696,429 Purchase of property and equipment 455,103 638,942 Cash Flows From Financing Activities (10,864) (8,000) Net cash provided by investing activities (10,864) (8,000) Principal payments on capital lease obligation (10,864) (8,000) Net (decrease) increase in cash and cash equivalents (124,573) 276,900 Cash And Cash Equivalents: 700,024 </td <td>Changes in assets and liabilities:</td> <td></td> <td></td> <td></td> <td></td>	Changes in assets and liabilities:				
Inventory and prepaid expenses 80,122 (28,242) Increase (decrease) in:	(Increase) decrease in:				
Increase (decrease) in: Accounts payable and accrued liabilities (213,730) (248,086) Unearned revenue (186,473) 531,017 Deferred compensation obligation (38,96) (36,090) Accrued postretirement benefit obligation (568,812) (354,042) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities Purchases of investments (631,669) (1,040,151) Proceeds from sale of investments (631,669) (1,040,151) Proceeds from sale of investments (631,669) (1,040,151) Proceeds from sale of investments (1,086,772) (1,696,429) Purchase of property and equipment - (17,336) Net cash provided by investing activities 455,103 638,942 Cash Flows From Financing Activities Principal payments on capital lease obligation (10,864) (8,000) Net cash used in financing activities (10,864) (8,000) Net (decrease) increase in cash and cash equivalents (124,573) 276,900 Cash And Cash Equivalents: Beginning 700,024 423,124 Ending \$ 575,451 \$ 700,024 Supplemental Disclosure Of Cash Flow Information Cash paid for interest \$ 157,583 \$ 210,346 Supplemental Schedule Of Non-Cash Investing And Financing Activities	Receivables		(105,281)		55,112
Accounts payable and accrued liabilities (213,730) (248,086) Unearned revenue (186,473) 531,017 Deferred compensation obligation (38,896) (36,090) Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities (631,669) (1,040,151) Proceeds from sale of investments (631,669) (1,040,151) Proceeds from sale of investments 1,086,772 1,696,429 Purchase of property and equipment - (17,336) Net cash provided by investing activities 455,103 638,942 Cash Flows From Financing Activities (10,864) (8,000) Principal payments on capital lease obligation (10,864) (8,000) Net (decrease) increase in cash and cash equivalents (124,573) 276,900 Cash And Cash Equivalents: Beginning 700,024 423,124 Ending \$ 575,451 \$ 700,024 Supplemental Disclosure Of Cash Flow Information Cash paid for interest \$ 157,583 \$ 210,346	Inventory and prepaid expenses		80,122		(28,242)
Unearned revenue (186,473) 531,017 Deferred compensation obligation (38,896) (36,090) Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities (631,669) (1,040,151) Proceeds from sale of investments (631,669) (1,040,151) Proceeds from sale of investments 1,086,772 1,696,429 Purchase of property and equipment - (17,336) Net cash provided by investing activities 455,103 638,942 Cash Flows From Financing Activities (10,864) (8,000) Principal payments on capital lease obligation (10,864) (8,000) Net (decrease) increase in cash and cash equivalents (124,573) 276,900 Cash And Cash Equivalents: Topology 423,124 Ending 575,451 700,024 Supplemental Disclosure Of Cash Flow Information \$ 157,583 210,346 Supplemental Schedule Of Non-Cash Investing And Financing Activities \$ 157,583 210,346	Increase (decrease) in:				
Unearned revenue (186,473) 531,017 Deferred compensation obligation (38,896) (36,090) Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities (631,669) (1,040,151) Proceeds from sale of investments (631,669) (1,040,151) Proceeds from sale of investments 1,086,772 1,696,429 Purchase of property and equipment - (17,336) Net cash provided by investing activities 455,103 638,942 Cash Flows From Financing Activities (10,864) (8,000) Principal payments on capital lease obligation (10,864) (8,000) Net (decrease) increase in cash and cash equivalents (124,573) 276,900 Cash And Cash Equivalents: Beginning 700,024 423,124 Ending \$ 575,451 \$ 700,024 Supplemental Disclosure Of Cash Flow Information \$ 157,583 \$ 210,346 Supplemental Schedule Of Non-Cash Investing And Financing Activities	Accounts payable and accrued liabilities		(213,730)		(248,086)
Deferred compensation obligation (38,896) (36,090) Accrued postretirement benefit obligation 8,741 (11,365) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities \$ (531,669) (1,040,151) Purchases of investments (631,669) (1,040,151) Proceeds from sale of investments 1,086,772 1,696,429 Purchase of property and equipment - (17,336) (10,364) (800) Net cash provided by investing activities 455,103 638,942 Cash Flows From Financing Activities (10,864) (8,000) Principal payments on capital lease obligation (10,864) (8,000) Net (decrease) increase in cash and cash equivalents (124,573) 276,900 Cash And Cash Equivalents: 2 700,024 423,124 Ending 575,451 700,024 570,024 Supplemental Disclosure Of Cash Flow Information Cash paid for interest \$ 157,583 210,346 Supplemental Schedule Of Non-Cash Investing And Financing Activities	Unearned revenue		•		,
Accrued postretirement benefit obligation 8,741 (568,812) (11,365) Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities (631,669) (1,040,151) Purchases of investments 1,086,772 1,696,429 Purchase of property and equipment - (17,336) Net cash provided by investing activities 455,103 638,942 Cash Flows From Financing Activities (10,864) (8,000) Principal payments on capital lease obligation (10,864) (8,000) Net cash used in financing activities (10,864) (8,000) Net (decrease) increase in cash and cash equivalents (124,573) 276,900 Cash And Cash Equivalents: T00,024 423,124 Ending \$ 575,451 \$ 700,024 Supplemental Disclosure Of Cash Flow Information Cash paid for interest \$ 157,583 \$ 210,346 Supplemental Schedule Of Non-Cash Investing And Financing Activities \$ 157,583 \$ 210,346	Deferred compensation obligation				
Net cash used in operating activities (568,812) (354,042) Cash Flows From Investing Activities Purchases of investments (631,669) (1,040,151) Proceeds from sale of investments 1,086,772 1,696,429 Purchase of property and equipment - (17,336) Net cash provided by investing activities 455,103 638,942 Cash Flows From Financing Activities (10,864) (8,000) Principal payments on capital lease obligation (10,864) (8,000) Net cash used in financing activities (10,864) (8,000) Net (decrease) increase in cash and cash equivalents (124,573) 276,900 Cash And Cash Equivalents: To0,024 423,124 Ending \$ 575,451 \$ 700,024 Supplemental Disclosure Of Cash Flow Information Cash paid for interest \$ 157,583 \$ 210,346 Supplemental Schedule Of Non-Cash Investing And Financing Activities \$ 157,583 \$ 210,346	· · · · · · · · · · · · · · · · · · ·				
Purchases of investments Proceeds from sale of investments Purchase of property and equipment Net cash provided by investing activities Principal payments on capital lease obligation Net cash used in financing activities Net (decrease) increase in cash and cash equivalents Cash And Cash Equivalents: Beginning Periodical Disclosure Of Cash Flow Information Cash paid for interest (10,40,151) 1,086,429 1,080,00) 1,086,429 1	Net cash used in operating activities				(354,042)
Purchases of investments Proceeds from sale of investments Purchase of property and equipment Net cash provided by investing activities Principal payments on capital lease obligation Net cash used in financing activities Net (decrease) increase in cash and cash equivalents Cash And Cash Equivalents: Beginning Periodical Disclosure Of Cash Flow Information Cash paid for interest (10,40,151) 1,086,429 1,080,00) 1,086,429 1	Cash Flows From Investing Activities				
Proceeds from sale of investments Purchase of property and equipment Net cash provided by investing activities Cash Flows From Financing Activities Principal payments on capital lease obligation Net cash used in financing activities Net (decrease) increase in cash and cash equivalents Cash And Cash Equivalents: Beginning Cash And Cash Equivalents: Beginning Tou,024 Supplemental Disclosure Of Cash Flow Information Cash paid for interest Supplemental Schedule Of Non-Cash Investing And Financing Activities			(631,669)		(1 040 151)
Purchase of property and equipment Net cash provided by investing activities Cash Flows From Financing Activities Principal payments on capital lease obligation Net cash used in financing activities Net (decrease) increase in cash and cash equivalents Cash And Cash Equivalents: Beginning Tou,024 Ending Supplemental Disclosure Of Cash Flow Information Cash paid for interest Supplemental Schedule Of Non-Cash Investing And Financing Activities			-		,
Net cash provided by investing activities Cash Flows From Financing Activities Principal payments on capital lease obligation Net cash used in financing activities Net (decrease) increase in cash and cash equivalents Cash And Cash Equivalents: Beginning Tou,024 Ending Supplemental Disclosure Of Cash Flow Information Cash paid for interest Supplemental Schedule Of Non-Cash Investing And Financing Activities			-		
Principal payments on capital lease obligation Net cash used in financing activities Net (decrease) increase in cash and cash equivalents Cash And Cash Equivalents: Beginning Finding Supplemental Disclosure Of Cash Flow Information Cash paid for interest Supplemental Schedule Of Non-Cash Investing And Financing Activities			455,103		
Principal payments on capital lease obligation Net cash used in financing activities Net (decrease) increase in cash and cash equivalents Cash And Cash Equivalents: Beginning Principal payments on capital lease obligation Net (decrease) increase in cash and cash equivalents Beginning Too,024 423,124 Ending Supplemental Disclosure Of Cash Flow Information Cash paid for interest Supplemental Schedule Of Non-Cash Investing And Financing Activities					
Net cash used in financing activities(10,864)(8,000)Net (decrease) increase in cash and cash equivalents(124,573)276,900Cash And Cash Equivalents: Beginning700,024423,124Ending\$ 575,451\$ 700,024Supplemental Disclosure Of Cash Flow Information Cash paid for interest\$ 157,583\$ 210,346Supplemental Schedule Of Non-Cash Investing And Financing Activities	——————————————————————————————————————				()
Net (decrease) increase in cash and cash equivalents Cash And Cash Equivalents: Beginning 700,024 Ending Supplemental Disclosure Of Cash Flow Information Cash paid for interest Supplemental Schedule Of Non-Cash Investing And Financing Activities					
Cash And Cash Equivalents: Beginning 700,024 423,124 Ending \$ 575,451 \$ 700,024 Supplemental Disclosure Of Cash Flow Information Cash paid for interest \$ 157,583 \$ 210,346 Supplemental Schedule Of Non-Cash Investing And Financing Activities	Net cash used in financing activities		(10,864)		(8,000)
Beginning 700,024 423,124 Ending \$ 575,451 \$ 700,024 Supplemental Disclosure Of Cash Flow Information Cash paid for interest \$ 157,583 \$ 210,346 Supplemental Schedule Of Non-Cash Investing And Financing Activities	Net (decrease) increase in cash and cash equivalents		(124,573)		276,900
Beginning 700,024 423,124 Ending \$ 575,451 \$ 700,024 Supplemental Disclosure Of Cash Flow Information Cash paid for interest \$ 157,583 \$ 210,346 Supplemental Schedule Of Non-Cash Investing And Financing Activities	Cash And Cash Equivalents:				
Supplemental Disclosure Of Cash Flow Information Cash paid for interest \$ 157,583 \$ 210,346 Supplemental Schedule Of Non-Cash Investing And Financing Activities	·		700,024		423,124
Cash paid for interest <u>\$ 157,583 \$ 210,346</u> Supplemental Schedule Of Non-Cash Investing And Financing Activities	Ending	\$	575,451	\$	700,024
Cash paid for interest <u>\$ 157,583 \$ 210,346</u> Supplemental Schedule Of Non-Cash Investing And Financing Activities					
Supplemental Schedule Of Non-Cash Investing And Financing Activities		•	4E7 E00	ው	240.240
	Cash paid for interest	<u> </u>	157,583	Ъ	210,346
Assets acquired under a capital lease obligation \$ 20,400 \$ -	Supplemental Schedule Of Non-Cash Investing And Financing Activities				
	· · ·	\$	20,400	\$	

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

<u>Nature of activities</u>: The American Association of Physics Teachers, Inc. (the Association) is a non-profit membership organization, incorporated in the state of New York for the purpose of improving the quality of physics instruction and enhancing the appreciation of the role of physics in our culture. The Association's operations are financed through member dues and programs, publications, meetings, and grants from the federal government.

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

<u>Basis of accounting</u>: 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.

<u>Basis of presentation</u>: The financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under the Codification, the Association is required to report information according to three classes of net assets:

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or otherwise removed by the Association's actions.

<u>Cash and cash equivalents</u>: Cash equivalents consist of overnight repurchase agreements secured by U.S. Government obligations but not subject to federal deposit insurance.

<u>Financial risk</u>: 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.

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.

<u>Investments</u>: Investments are recorded at estimated fair value based on quoted market prices provided by the custodians or investment managers. Realized and unrealized gains and losses are reported in the statements of activities. Investment income is reported as an increase in unrestricted net assets, unless restricted by donor or by law.

Notes To Financial Statements

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

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, 2010 and 2009, 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.

<u>Inventory</u>: Inventory consists primarily of publications and periodicals held for resale. Inventory is stated at the lower of cost, using the average cost method or market.

<u>Property and equipment</u>: The Association's property and equipment are stated at cost, except for donated items, which are recorded at fair value at the date of donation. Equipment under capital leases is stated at the lower of the present value of minimum lease payments at the inception of the lease term, or fair value of the property. Expenditures which materially increase in value, change capacities, or extend useful lives are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 19 years. Equipment held under capital leases is amortized on the straight-line basis over the lease term.

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 statements of activities as net assets released from restrictions.

Membership dues and subscription revenue are recognized ratably over the applicable dues or subscription period. Revenue from meetings and workshops is recognized in the same period the event is held. Unearned revenue represents dues and a subscription amount received prior to the completion of the earnings process and is reported as a current liability in the balance sheets.

Revenue on government grants is recognized as estimated reimbursable direct and indirect expenses, as incurred. Grants receivable represent such expenses incurred in excess of reimbursements and advances. Grant costs recognized as reimbursable are subject to government audit (See Note 9).

<u>Income taxes</u>: The Association is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Under current Internal Revenue Service (IRS) regulations, advertising and other non-exempt revenue earned is subject to unrelated business income tax. For the years ended December 31, 2010 and 2009, the Association had no net unrelated business income.

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, 2010. Generally, the Association is no longer subject to U.S. federal income tax positions by tax authorities for years before 2007.

<u>Functional allocation of expenses</u>: Expenses are charged to each program based on direct expenditures incurred. Expenditures related to administrative activities are allocated to programs based on total direct costs.

Impairment 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.

<u>Use of estimates</u>: 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.

<u>Investment in ACP</u>: The Association's interest in the American Center for Physics, Inc. (ACP) is being accounted for under the equity method. The Association's residual share of ACP was approximately one percent at December 31, 2010 and 2009. The Association has representation on ACP's Board of Directors.

Recently adopted accounting standards: In January 2010, the FASB released Accounting Standards Update No. 2010-06 (ASU 2010-06), which provides accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires: (i) separate disclosures of significant transfers between Levels 1 and 2 and reasons for transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances, and net settlements within Level 3 measurements; (iii) disclosures by class of assets and liabilities; and (iv) a description of the evaluation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. The Association adopted ASU 2010-06 during the year ended December 31, 2010.

<u>Subsequent events</u>: The Association evaluated subsequent events through September 21, 2011, which is the date the financial statements were available to be issued.

Notes To Financial Statements

Note 2. American Center For Physics, Inc.

The Association, together with the American Physical Society (APS) and the American Institute of Physics, Inc. (AIP), established the American Center for Physics, Inc. (ACP), to own and operate one or more buildings to serve the three organizations and the physics community. ACP is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As an initial member organization, the Association has the right to appoint two individuals to the Board of Directors of ACP. Additionally, should ACP be dissolved, the Association will acquire a percentage of interest in the net assets of ACP.

ACP has constructed a building to serve the physics community and has obtained financing through Maryland Industrial Development Financing Authority Revenue Bonds. These bonds are to be repaid from rental income collected from tenants, including the Association.

The equity interest in the operation and ownership of the project is described in an agreement between ACP and its members (the Agreement). Pursuant to the Agreement, the Association has incurred a cumulative gain of \$134,626 and \$47,487 at December 31, 2010 and 2009, respectively.

Summarized financial information for ACP as of and for the years ended December 31, 2010 and 2009, consists of the following:

		(In Thousands)					
			2009				
Total assets	<u>\$</u>	24,282	\$	24,532			
Total liabilities Net assets	\$	15,982 8,300	\$	17,846 6,686			
Total liabilities and net assets	\$	24,282	\$	24,532			
Total revenue	\$	7,021	\$	6,639			
Total expenses Change in net assets	\$	5,407 1,614	\$	5,519 1,120			

During the year ended December 31, 1993, the Association entered into a long-term operating lease agreement with ACP. The lease commenced in October 1993 and ends the later of November 1, 2018, or when there are no more bonds outstanding. The bond repayment schedule calls for the final payment to be made on December 15, 2016.

The lease payments are determined based on a percentage of the base costs, including financing and other operating costs. Total payments made to ACP were \$633,059 and \$640,778 for the years ended December 31, 2010 and 2009, respectively. Rental rebates were \$54,972 and \$35,000 for the years ended December 31, 2010 and 2009, respectively.

Notes To Financial Statements

Note 2. American Center For Physics, Inc. (Continued)

The following is a schedule of the minimum lease payments due to ACP at December 31, 2010:

Years Ending December 31,

2011	\$ 211,000
2012	211,000
2013	211,000
2014	211,000
2015	211,000
2016	 194,000
	\$ 1,249,000

Note 3. Investments

Investments at December 31, 2010 and 2009, consist of the following:

	2010	2009
Short-term investments:		
Mutual funds	\$ 289,003	190
Money market funds	124,360	59,569
	413,363	59,759
Long-term investments:		
Mutual funds	2,764,716	3,123,927
Money market funds	12,656	52,870
	2,777,372	3,176,797
	\$ 3,190,735	\$ 3,236,556

The following schedule summarizes the income in the above investments and other operating fund investments, and the classification in the statements of activities:

	2010					
	Temporarily					
	Ur	restricted	R	estricted		Total
Dividends and interest	\$	54,760	\$	14,873	\$	69,633
Net realized and unrealized gains		316,740		92,542		409,282
Total investment income	\$	371,500	\$	107,415	\$	478,915
				2009		
			Te	emporarily		
	Unrestricted Restricted				Total	
Dividends and interest	\$	86,443	\$	8,869	\$	95,312
Net realized and unrealized gains		486,288		112,408		598,696
Total investment income	\$	572,731	\$	121,277	\$	694,008

Notes To Financial Statements

Note 4. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2010 and 2009, consist of the following:

	2010	2009
Office and computer equipment	\$ 268,161	\$ 268,161
Equipment under capital lease	 20,400	27,811
	288,561	295,972
Less accumulated depreciation and amortization	 (265,228)	(242,179)
	\$ 23,333	\$ 53,793

For assets acquired under capital leases, amortization expense was approximately \$5,000 and \$5,500 for the years ended December 31, 2010 and 2009, respectively, and accumulated amortization was approximately \$5,000 and \$17,000 at December 31, 2010 and 2009, respectively.

Note 5. Employee Benefit Plans

<u>Pension plan</u>: The Association has established a pension plan under IRS Code Section 403(b), to which it contributes five percent of compensation after the first year of employment and ten percent after two years of employment for all eligible employees. Employees may make elective tax deferred contributions. The plan is currently funded, and the Association's contributions for the years ended December 31, 2010 and 2009, totaled approximately \$132, 900 and \$105,700, respectively.

<u>Deferred compensation plan</u>: The Association sponsors a deferred compensation plan, which covers members of executive management under IRS Code Section 457(b). Under the plan, eligible employees must first participate in the Association's 403(b) plan, and may then make salary deferral contributions to the 457(b) plan, subject to annual IRS limitations. Plan obligations totaled \$0 and \$38,896 at December 31, 2010 and 2009, respectively. Plan assets, which totaled \$0 and \$38,896 at December 31, 2010 and 2009, respectively, are included with long-term investments in the balance sheets.

<u>Postretirement health care benefits</u>: During 2004, the Association adopted a postretirement health care plan that covers all employees who retire from the Association after meeting certain age and service requirements. Under the plan, the Association will pay 50 percent of the participants' premiums for continued coverage through the Association's group health insurance. The plan provides for full coverage until participants reach 65 years of age and supplemental coverage thereafter. Plan benefits are subject to a lifetime cap of \$100,000 for each retiree.

Notes To Financial Statements

Note 5. Employee Benefit Plans (Continued)

Information regarding the status of the postretirement health care plan at December 31, 2010 and 2009, is as follows:

		2009	
Change in benefit obligation:			_
Benefit obligation at beginning of year	\$	347,832	\$ 359,197
Actuarial gain		(14,703)	(30,279)
Interest cost		18,673	19,431
Service cost		17,256	10,329
Benefits paid		(12,485)	(10,846)
Benefit obligation at end of year	\$	356,573	\$ 347,832
Change in plan assets:			
Employer contributions	\$	12,485	\$ 10,846
Participant contributions		12,485	10,846
Benefits paid		(24,970)	(21,692)
Fair value of plan assets at end of year	\$	-	\$ -
Unfunded status	\$	(356,573)	\$ (347,832)
Accrued postretirement health care liability	\$	(356,573)	\$ (347,832)
Accumulated benefit obligation	\$	356,573	\$ 347,832
Components of net periodic benefit cost:			
Interest cost	\$	18,673	\$ 19,431
Service cost		17,256	10,329
Amortization of prior service cost		18,955	18,955
Net periodic benefit cost	\$	54,884	\$ 48,715

<u>Assumptions</u>: Weighted average assumptions used to determine net periodic pension cost and benefit obligations are as follows:

	2010	2009
Discount rate for year	6.00%	6.00%
Discount rate at end of year	5.50%	6.00%

Notes To Financial Statements

Note 5. Employee Benefit Plans (Continued)

<u>Estimated future benefit payments</u>: The following benefit payments, which reflect expected future service, are expected to be paid as follows:

Years Ending December 31,

2011	\$	20,000
2012	•	21,000
2013		23,000
2014		24,000
2015		36,000
2016 – 2020		180,000

<u>Estimated employer contributions</u>: Employer contributions to the plans are expected to be approximately \$20,000 for the year ending December 31, 2011.

The accumulated benefit obligation measurement date was December 31, 2010 and 2009, respectively, for the 2010 and 2009 actuarial valuations. The health care cost trend rate was assumed to be nine percent, grading to five percent for 2010 and 2009, respectively. Benefit costs totaled \$54,884 and \$48,715 for 2010 and 2009, respectively.

Note 6. Restricted Net Assets

<u>Permanently restricted</u>: Permanently restricted net assets at December 31, 2010 and 2009, consist of the following:

2010		2009
		_
\$ 110,000	\$	110,000
311,685		311,685
10,000		10,000
\$ 431,685	\$	431,685
\$	\$ 110,000 311,685	\$ 110,000 \$ 311,685 10,000

Notes To Financial Statements

Note 6. 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, 2010, is as follows:

				Temporarily Restricted		ermanently Restricted		Total			
Donor-restricted endowment funds	\$	-	\$	268,365	\$	431,685	\$	700,050			
The endowment net asset composition by type of fund as of December 31, 2009, was as follows:											
		. (emporarily		ermanently		T. (a)			
	Unre	stricted	<u> </u>	Restricted		Restricted		Total			
Donor-restricted endowment funds	\$	-	\$	174,530	\$	431,685	\$	606,215			

Notes To Financial Statements

Note 6. Restricted Net Assets (Continued)

The changes in the endowment net assets for the year ended December 31, 2010, are as follows:

	emporarily Restricted	ermanently Restricted	Total
Endowment net assets, beginning of year Amounts appropriated for expenditure	\$ 174,530 (13,580)	\$ 431,685 -	\$ 606,215 (13,580)
Investment return: Interest and dividends	14,873	_	14,873
Realized and unrealized gains	92,542	-	92,542
Endowment net assets, end of year	\$ 268,365	\$ 431,685	\$ 700,050

The changes in the endowment net assets for the year ended December 31, 2009, were as follows:

	Ur	nrestricted	emporarily Restricted	ermanently Restricted	Total
Endowment net assets, beginning of year Transfers* Investment return:	\$	53,253 (53,253)	\$ - 53,253	\$ 431,685 -	\$ 484,938 -
Interest and dividends Realized and unrealized gains		-	15,101 106,176	-	15,101 106,176
Endowment net assets, end of year	\$	-	\$ 174,530	\$ 431,685	\$ 606,215

^{*}Maryland enacted UPMIFA during the year ended December 31, 2009. As a result, the unrestricted portion of the endowment funds is now considered temporarily restricted by time, until those funds are appropriated by management.

Notes To Financial Statements

Note 7. Board Designated Net Assets

Board designated net assets at December 31, 2010 and 2009, with Executive Board approval, are available for the following purposes:

	2010	2009
Bauder Fund: To support special activities in the area of physics teaching	\$ 135,684	\$ 142,067
Fuller Fund: To support the advancement of physics education	17,756	17,493
Other purpose restriction programs	 19,838	24,855
	\$ 173,278	\$ 184,415

Note 8. Related Party Transactions

In addition to participating with the Association in the ownership of ACP (See Note 2), AIP provides printing and fulfillment services for the Association's publications and processes the Association's health insurance payments. The Association also paid AIP for the human resources management fee, society membership dues, and other miscellaneous office services. For the years ended December 31, 2010 and 2009, the amount paid to AIP totaled \$627,323 and \$640,778, respectively. At December 31, 2010 and 2009, \$160,594 and \$169,857, respectively, was included in accounts payable for these services. AIP also collects amounts on behalf of the Association for non-member journal subscriptions and exhibit sales. At December 31, 2010 and 2009, \$59,149 and \$0, respectively, was included in accounts receivable for these services.

The Association also receives funding from AIP to support the International Physics Olympiad on an annual basis. For the years ended December 31, 2010 and 2009, program income totaled \$121,695 and \$68,413, and expenses totaled \$191,272 and \$59,278, respectively.

In addition to participating in the ownership of ACP with APS, the Association also receives an annual grant from APS to support the Phystec program. Revenue for the years ended December 31, 2010 and 2009, totaled \$40,600 and \$11,248, respectively. The amount due from APS at December 31, 2010 and 2009, totaled \$14,847 and \$0, respectively. The amount owed to APS at December 31, 2010 and 2009, totaled \$10,488 and \$0, respectively.

Note 9. Commitments

Employment agreements: The Association has negotiated employment agreements with certain employees. The agreements expire at various dates through December 31, 2013. Compensation under these agreements aggregates to an amount which is considered by the Executive Board to be reasonable for the services to be performed. The Executive Board has the right to terminate the agreements at any time by providing 30 days written notice prior to the effective date of termination.

Government audits: The Association recognized approximately 12 percent and 16 percent of its revenue in 2010 and 2009, respectively, from grants with the National Science Foundation. These grants are subject to audit by the federal government. Audits have been performed through the year ended December 31, 2000, and disallowances recorded. Until such audits for subsequent periods are completed, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that future disallowances, if any, will not be material to the financial statements.

Notes To Financial Statements

Note 9. Commitments (Continued)

<u>Capital lease</u>: In addition to the long-term operating lease for the office space discussed in Note 2, the Association also leases certain equipment under capital lease. At December 31, 2010 and 2009, the Association's future minimum lease payments under the lease agreement totaled \$16,146 and \$6,610, respectively, with \$1,577 and \$192, respectively, representing interest.

Future minimum lease payments are as follows:

Years Ending December 31,

2011	\$	5,748
2012	Ψ	5,748
2013		5,748
2014		479
Total minimum payments		17,723
Less imputed interest		1,577
Present value of minimum lease payments	\$	16,146

Note 10. 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 and 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

In determining the appropriate levels, the Association performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Association at December 31, 2010 and 2009.

Notes To Financial Statements

Note 10. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities measured at fair value at December 31, 2010, on a recurring basis by level within the hierarchy:

	As Of December 31, 2010									
Large blend Foreign large blend Small blend Real estate Mid-cap growth Mid-cap value	Total		Level 1			Level 2	L	evel 3		
Foreign large blend Small blend Real estate Mid-cap growth Mid-cap value Fixed Income Mutual Funds: Intermediate-term bond										
Large blend	\$	835,403	\$	835,403	\$	-	\$	-		
Foreign large blend		333,734		333,734		-		-		
Small blend		286,579		286,579		-		-		
Real estate		283,385		283,385		-		-		
Mid-cap growth		116,172		116,172		-		-		
Mid-cap value		111,309		111,309		-		-		
Fixed Income Mutual Funds:										
Intermediate-term bond		331,774		331,774		-		-		
Short-term bond		289,003		289,003		-		-		
High yield bond		191,557		191,557		-		-		
Inflation protected bond		274,803		274,803		-		-		
	\$	3,053,719	\$	3,053,719	\$	-	\$	-		

The table below presents the balances of assets and liabilities measured at fair value at December 31, 2009, on a recurring basis by level within the hierarchy:

			,	As Of Decer	mber (31, 2009		
Equity Mutual Funds: Large blend Foreign large blend		Total Level 1		Level 1		Level 2	L	evel 3
Equity Mutual Funds:								
Large blend	\$	958,638	\$	958,638	\$	-	\$	-
Foreign large blend		379,911		379,911		-		-
Small blend		312,212		312,212		-		-
Real estate		337,516		337,516		-		-
Mid-cap growth		130,190		130,190		-		-
Mid-cap value		126,776		126,776		-		-
Fixed Income Mutual Funds:								
Intermediate-term bond		668,410		668,410		-		-
Short-term bond		190		190		-		-
High yield bond		210,274		210,274		-		-
	\$	3,124,117	\$	3,124,117	\$	-	\$	-

The Association's mutual funds are publicly traded on the New York Stock Exchange and are considered Level 1 items.

Money market funds totaling \$137,016 and \$112,439 at December 31, 2010 and 2009, respectively, are not included in the above tables, because they are recorded at cost.



Independent Auditor's Report On The Supplementary Information

To the Executive Board The American Association of Physics Teachers, Inc. College Park, Maryland

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information which follows is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladry & Pullen, LCP

Gaithersburg, Maryland September 21, 2011

Schedule Of Functional Expenses Year Ended December 31, 2010 (With Comparative Totals For 2009)

				20	10				_	
				General						
	F	Program		And						2009
		Services	Adr	ninistrative	Fu	ndraising		Total		Total
Compensation expense	\$	1,264,813	\$	910,201	\$	61,895	\$	2,236,909	\$	2,135,689
Travel	·	222,671		102,295	•	· -	•	324,966	·	272,000
Publication costs		323,013				-		323,013		274,720
Editorial office expense		250,673		-		-		250,673		367,510
Debt service		· <u>-</u>		245,794		-		245,794		251,355
Computer supplies and maintenance		6,141		182,174		-		188,315		188,118
Participant travel and stipends		185,125		· •		-		185,125		288,797
Rental operating expenses		· •		174,713		_		174,713		174,594
Consultants, contracts and temporary		165,780		2,596		3,703		172,079		194,397
Online journal services		158,159		-		-		158,159		146,580
Conferences, meetings, and workshops		107,882		19,950		_		127,832		94,605
Postage, packaging, and shipping		115,043		, -		_		115,043		193,863
Audio/visual		76,947		6,188		-		83,135		162,308
Professional fees		15,497		65,411		_		80,908		102,879
Exhibit and meeting expenses		65,314		-		_		65,314		80,385
Bank fees		60		61,570		_		61,630		54,033
Publishing services		60,658		-		_		60,658		54,319
Dues and memberships		57,948		206		_		58,154		53,407
Honoraria		55,130				_		55,130		76,322
Awards		48,065		1,635		_		49,700		39,555
Depreciation		-		44,797		_		44,797		84,351
Photocopying and printing		32,767		4,254		6,858		43,879		74,936
Office services		-		43,079		-		43,079		45,822
Advertising		38,053		-		_		38,053		52,403
Materials and supplies		24,853		1,635		233		26,721		40,454
Other		8,134		12,897				21,031		10,647
Investment expenses		-		15,875		_		15,875		15,394
Insurance		310		15,271		_		15,581		19,912
Other facility costs		15,492		-		_		15,492		30,532
Telephone		3,792		6,432		_		10,224		13,774
Storage		6,544		559		_		7,103		8,794
Security		2,709		-		-		2,709		4,050
Royalty expense		2,103		445		_		445		813
Equipment and maintenance		-		-		-		-		6,857
Allocation of indirect costs		- 1,561,563	(- (1,597,623)		36,060		-		-
Total expenses	\$	4,873,136	\$	320,354	\$	108,749	\$	5,302,239	\$	5,614,175