American Association of Physics Teachers, Inc.

Financial and Federal Award Compliance Examination

For the Year Ended December 31, 2019

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

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Financial Statements

American Association of Physics Teachers, Inc.

For the Year Ended December 31, 2019 With Summarized Financial Information for 2018

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the American Association of Physics Teachers, Inc. (the Association), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2019, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Association's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(25 - 26), as required by *Title 2 U.S.* Code of Federal Regulations (CFR) *Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, 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 that report is solely 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 effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Gelman Rosenberg & Freedman

February 11, 2022

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and equivalents	$ 1,190,213	$ 1,264,465
Investments	922,448	894,546
Accounts receivable	322,602	100,315
Grants receivable	717,505	1,176,351
Inventory	102,697	5,569
Prepaid expenses	71,232	63,314
Total current assets	3,326,697	3,504,560
FIXED ASSETS		
Equipment	140,148	140,148
Capital lease	12,500	15,000
Software	183,039	159,614
	335,687	314,762
Less: Accumulated depreciation and amortization	(266,126)	(234,674)
Net fixed assets	69,561	80,088
OTHER ASSETS		
Investments, net of current portion	6,446,924	5,261,790
Investment in ACP	1,251,323	1,244,025
Deposit	4,500	15,833
Total other assets	7,702,747	6,521,648
TOTAL ASSETS	**$ 11,099,005**	**$ 10,106,296**

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Capital lease obligation	$ 2,280	$ -
Accounts payable and accrued liabilities	506,044	309,264
Accrued payroll and related liabilities	185,741	163,414
Unearned revenue	1,785,821	2,326,064
Total current liabilities	2,479,886	2,798,742
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	8,282	-
Accrued postretirement benefit obligation	431,030	368,684
Total liabilities	2,919,198	3,167,426
NET ASSETS		
Without donor restrictions:		
Undesignated	5,355,838	4,639,196
Board designated	1,505,416	1,192,678
Total without donor restrictions	6,861,254	5,831,874
With donor restrictions	1,318,553	1,106,996
Total net assets	8,179,807	6,938,870
TOTAL LIABILITIES AND NET ASSETS	**$ 11,099,005**	**$ 10,106,296**

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

..	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
American Journal of Physics	$ 1,501,702	$ -	$ 1,501,702	$ 1,556,854
The Physics Teacher	912,905	-	912,905	960,210
Membership	757,711	-	757,711	801,755
Meetings, workshops and projects	738,914	-	738,914	904,015
Federal grants	1,375,053	-	1,375,053	1,309,584
Investment income (loss), net	886,459	248,999	1,135,458	(401,678)
Other publications	32,172	-	32,172	67,868
International Physics Olympiad	155,761	-	155,761	139,375
Earnings on investment in ACP	7,298	-	7,298	267,287
Contributions	122,485	617	123,102	43,097
Miscellaneous income	133,638	-	133,638	43,080
Net assets released from donor restrictions	38,059	(38,059)	-	-
Total revenue and support	6,662,157	211,557	6,873,714	5,691,447
EXPENSES				
Program Services:				
American Journal of Physics	265,585	-	265,585	539,837
The Physics Teachers	581,472	-	581,472	712,237
Membership	697,664	-	697,664	628,112
Meetings, Workshops and Projects	1,315,027	-	1,315,027	1,152,474
Grants	1,591,186	-	1,591,186	1,596,045
Other Publications	654,241	-	654,241	857,641
Total program services	5,105,175	-	5,105,175	5,486,346
Supporting Services:				
General and Administrative	450,478	-	450,478	580,006
Fundraising	336	-	336	1,316
Total supporting services	450,814	-	450,814	581,322
Total expenses	5,555,989	-	5,555,989	6,067,668
Change in net assets before other item	1,106,168	211,557	1,317,725	(376,221)
OTHER ITEM				
Change in post-retirement plan obligation	(76,788)	-	(76,788)	(22,495)
Change in net assets	1,029,380	211,557	1,240,937	(398,716)
Net assets at beginning of year	5,831,874	1,106,996	6,938,870	7,337,586
NET ASSETS AT END OF YEAR	**$ 6,861,254**	**$ 1,318,553**	**$ 8,179,807**	**$ 6,938,870**

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019						
	Program Services						
	American Journal of Physics	The Physics Teachers	Membership	Meetings, Workshops, And Projects	Grants	Other Publications	Total Program Services
Compensation	$ 1,306	$ 468,402	$ 421,464	$ 681,027	$ 600,879	$ 502,224	$ 2,675,302
Editorial office	171,326	413	-	-	-	-	171,739
Travel	933	5,116	34,964	183,869	57,498	32,045	314,425
Publications	31,737	40,643	808	-	-	87	73,275
Rent	10,970	17,253	18,721	41,169	55,597	19,237	162,947
Participant support	-	-	-	-	303,129	-	303,129
Online journals	-	18	-	-	-	-	18
Consultants, contracts and temporary	-	-	-	29,684	337,389	-	367,073
Conferences, meetings and workshops	-	-	30,106	84,014	-	5,382	119,502
Computer supplies and maintenance	4,388	8,776	34,399	28,905	53,071	7,066	136,605
Postage, packing and shipping	11,048	11,860	8,346	18,546	280	295	50,375
Audio/Visual	-	-	9,828	83,550	5,875	517	99,770
Dues and memberships	-	-	47,061	715	-	53	47,829
Exhibit and meeting expenses	-	-	2,221	104,336	32,650	-	139,207
Photocopying and printing	3	182	2,251	6,449	2,920	6	11,811
Professional fees	-	-	50,346	1,678	-	-	52,024
Honoraria	24,256	7,580	-	5,710	-	4,295	41,841
Bank fees	2,364	3,717	4,033	8,870	11,978	4,145	35,107
Publishing services	-	-	-	-	11,186	-	11,186
Subrecipient expenses	-	-	-	-	92,450	-	92,450
Awards	-	-	1,110	1,745	-	45,050	47,905
Office services	-	-	21,452	-	-	-	21,452
Advertising	72	3,046	5,358	17	1,200	1,717	11,410
Materials and supplies	4,878	10,842	1,263	13,876	13,405	28,081	72,345
Depreciation and amortization	2,304	3,624	3,933	8,648	11,679	4,041	34,229
Insurance	-	-	-	12,219	-	-	12,219
Bad debt expense	-	-	-	-	-	-	-
TOTAL	**$ 265,585**	**$ 581,472**	**$ 697,664**	**$ 1,315,027**	**$ 1,591,186**	**$ 654,241**	**$ 5,105,175**

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019 (Continued)				2018
	Supporting Services				
	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Compensation	$ 253,282	$ -	$ 253,282	$ 2,928,584	$ 2,907,302
Editorial office	-	-	-	171,739	183,386
Travel	22,744	-	22,744	337,169	273,624
Publications	-	-	-	73,275	253,202
Rent	58,186	-	58,186	221,133	229,853
Participant support	-	-	-	303,129	382,055
Online journals	-	-	-	18	144,558
Consultants, contracts and temporary	3,069	-	3,069	370,142	428,031
Conferences, meetings and workshops	3,790	-	3,790	123,292	199,846
Computer supplies and maintenance	34,885	-	34,885	171,490	146,385
Postage, packing and shipping	221	86	307	50,682	49,642
Audio/Visual	3,225	-	3,225	102,995	144,602
Dues and memberships	861	250	1,111	48,940	49,657
Exhibit and meeting expenses	5,399	-	5,399	144,606	104,793
Photocopying and printing	675	-	675	12,486	16,607
Professional fees	18,024	-	18,024	70,048	120,424
Honoraria	158	-	158	41,999	62,198
Bank fees	12,536	-	12,536	47,643	61,287
Publishing services	-	-	-	11,186	-
Subrecipient expenses	-	-	-	92,450	68,352
Awards	1,692	-	1,692	49,597	44,483
Office services	7,697	-	7,697	29,149	32,557
Advertising	-	-	-	11,410	28,118
Materials and supplies	7,575	-	7,575	79,920	49,438
Depreciation and amortization	12,223	-	12,223	46,452	41,170
Insurance	4,236	-	4,236	16,455	17,909
Bad debt expense	-	-	-	-	28,189
TOTAL	**$ 450,478**	**$ 336**	**$ 450,814**	**$ 5,555,989**	**$ 6,067,668**

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,240,937	$ (398,716)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	46,452	41,170
Net (appreciation) depreciation on investments	(1,020,560)	504,381
Earnings on investment in ACP	(7,298)	(267,287)
Change in allowance for doubtful accounts	-	(47,585)
(Increase) decrease in:		
Accounts receivable	(222,287)	37,713
Grants receivable	458,846	(172,150)
Inventory	(97,128)	70,893
Prepaid expenses	(7,918)	50,095
Deposit	11,333	(15,833)
Increase (decrease) in:		
Accounts payable and accrued liabilities	196,780	44,783
Accrued payroll and related liabilities	22,327	10,152
Unearned revenue	(540,243)	(29,990)
Refundable advance	-	(112,908)
Accrued postretirement benefit obligation	62,346	8,765
Net cash provided (used) by operating activities	143,587	(276,517)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(23,425)	(46,406)
Purchases of investments	(228,744)	(2,950,233)
Proceeds from sales of investments	36,268	2,847,529
Net cash used by investing activities	(215,901)	(149,110)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	(1,938)	(4,053)
Net cash used by financing activities	(1,938)	(4,053)
Net decrease in cash and cash equivalents	(74,252)	(429,680)
Cash and cash equivalents at beginning of year	1,264,465	1,694,145
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,190,213**	**$ 1,264,465**

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019	2018
SUPPLEMENTAL INFORMATION:		
Interest Paid	$ 845	$ 325
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Capital Lease Obligation Incurred for Use of Equipment	$ 12,500	$ -

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The American Association of Physics Teachers, Inc. (the Association) is a not-for-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 membership dues and programs, publications, meetings, and grants from the U.S. Government.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entitie*s. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

- **Net Assets with Donor Restrictions -** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

During 2019, the Association adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. The Association adopted the ASU using a modified prospective basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Cash and cash equivalents -

The Association considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents, including overnight repurchase agreements collateralized by obligations issued or guaranteed by the U.S. Government and excluding money market funds held by investment managers in the amount of $515,270 as of December 31, 2019.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, the Association maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

The Association's interest in the American Center for Physics, Inc. (ACP) is being accounted for under the equity method. The Association's share of ACP was approximately 6.5% based on its financial participation factor (as defined in the ACP operating agreement) as of December 31, 2019.

Grants and accounts receivable -

Grants and accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Inventory -

Inventory consists primarily of publications and periodicals held for resale and is measured at the lower of cost and net realizable value, using the first-in, first-out method of inventory in accordance with FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Fixed assets -

Fixed assets in excess of $5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Property and equipment purchases relating to federal awards are expensed as contract costs only in case that the contract or grant specifically authorizes such charges. Otherwise, the cost of capital expenditures used in support of federal programs is recovered using the straight-line depreciation method charged indirectly to the specific program.

Depreciation and amortization expense during the year ended December 31, 2019 totaled $46,452.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated advertising and other non-exempt income. The Association is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, the Association has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue -

The Association receives grants and contributions from the U.S. Government, corporations and other private entities. These awards are for various activities performed by the Association. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Association performs an analysis of the individual grant or contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.*

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants and contributions qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions", only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

Funds in in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

The Association receives awards under grants and cost-reimbursable contracts from the U.S. government. This funding is subject to contractual restrictions, which must be met through incurring qualifying direct and indirect expenses. Accordingly, such awards are deemed to be conditional and are recorded as "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the award agreements. Direct and indirect costs incurred but not reimbursed by donors are reported as grants and contracts receivable; funds received in advance of incurring direct and indirect costs are recorded as refundable advances.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue (continued) -

Funds received for conferences, meetings and the International Physics Olympiad are recorded as revenue when the related event has occurred. Transaction price is determined based on the ticket price for the event. Publication revenue is recognized when the publication has been delivered. Transaction price is determined based on the price of the publication. Funds received in advance for conferences, meetings and publications are recorded as deferred revenue within the accompanying Statement of Financial Position.

Membership dues are based on member benefits received and recognized as revenue when performance obligations are met. Transaction price is determined based on cost and/or sales price. Any amounts considered as a contribution are recognized upon receipt.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

The Association expenses advertising costs as incurred. During the year ended December 31, 2019, advertising expense totaled $11,410.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Association are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time and effort or other reasonable basis.

Investment risks and uncertainties -

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Association adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurement (continued) -

The Association accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Association's operations. The overall potential impact is unknown at this time.

New accounting pronouncements not yet adopted -

FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities for fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Association plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2019:

	Fair Value
Money market funds	$ 515,270
Mutual funds	5,129,708
Corporate bonds	1,656,206
Mortgage-backed securities	61,109
U.S Treasury notes	7,079
TOTAL INVESTMENTS	**$ 7,369,372**

2. INVESTMENTS (Continued)

Included in investment income, net, are the following:

Interest and dividends	$ 151,422
Net appreciation of investments	1,020,560
Management fees	(36,524)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	**$ 1,135,458**

3. 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 with 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 operating and ownership of the project is described in an agreement between ACP and its members (the Agreement). Pursuant to the Agreement, the Association has recognized a cumulative investment gain of $1,251,323 as of December 31, 2019.

Financial information, in summary, related to the investment in ACP is as follows (in thousands) as of December 31, 2019:

TOTAL ASSETS	**$ 21,597**
Total liabilities	$ 728
Total net assets	20,869
TOTAL LIABILITIES AND NET ASSETS	**$ 21,597**
Total revenue	$ 2,684
Total expenses	2,461
CHANGE IN NET ASSETS	**$ 223**

In October 1993, the Association entered into a long-term operating lease agreement with ACP. The lease was renewed on November 1, 2018 and will expire on November 1, 2117. 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 $298,368 during the year ended December 31, 2019.

4. NET ASSETS WITHOUT DONOR RESTRICTIONS

As of December 31, 2019, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

Undesignated net assets	$ 5,355,838
Board designated net assets:	
Venture Fund	208,388
PTRA Continuation Fund	175,465
Excellence In Pre-College Physics Teaching Award	145,517
Dodge Fund	137,431
Klopsteg Award	96,325
Excel In Undergraduate Physics Education Award	96,137
Richtmyer Memorial Fund	8,012
Millikan Award	88,154
Oersted Award	89,918
J.D. Jackson Award	84,616
Jossem Memorial Fund	68,469
Physics Education Research	135,769
Melba Newell Phillips Award	53,012
Memorial Fund	18,570
McBride Travel Scholarship Fund	15,797
Other	83,836
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	**$ 6,861,254**

The Board has designated that a reserve be maintained in the net assets without donor restrictions to provide a predictable stream of funding.

5. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions consisted of the following as of December 31, 2019:

Endowment funds, including accumulated earnings, not yet authorized for spending:	
Lotze	$ 576,924
Bauder	505,501
Fuller	60,535
Yamani	96,568
Lipton	53,793
TPT Publications Fund	25,232
TOTAL NET ASSETS WITH DONOR RESTRICTION	**$ 1,318,553**

The following net assets with restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Accumulated earnings from endowment funds authorized for spending:	
Lotze	$ 20,494
Bauder	17,303
Yamani	262
NET ASSETS RELEASED FROM RESTRICTIONS	**$ 38,059**

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and equivalents	$ 1,190,213
Investments	922,448
Accounts receivable	322,602
Grants receivable	717,505
Subtotal financial assets available within one year	3,152,768
Less: Donor restricted funds	(1,318,553)
Less: Board designated funds	(1,505,416)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 328,799**

The Association has a policy to structure its financial assets to be available and liquid as its obligations become due. The Board designated funds can be available to draw on only if approved by the Board of Directors.

7. EMPLOYEE BENEFIT PLANS

The Association has 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% 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.

The funding for the payment of these benefits will be derived from the then current operations of the Association.

The Association is required to accrue the projected future cost of providing postretirement benefits during the period that employees render the services necessary to be eligible for such benefits.

While this impacts the Association's reported change in unrestricted net assets, it does not impact the Association's current cash flow because the Association intends to continue its practice of paying the cost of postretirement benefits as incurred.

The components of the net periodic postretirement benefit cost and the projected benefit obligation for the year ended December 31, 2019 are presented below:

Change in Benefit Obligation:	
Benefit obligation at beginning of year	$ 368,684
Actuarial gain	49,950
Interest cost	15,762
Service cost	11,076
Benefit paid	(14,442)
BENEFIT OBLIGATION AT END OF YEAR	**$ 431,030**

7. EMPLOYEE BENEFIT PLANS (Continued)

Information regarding the status of the postretirement health care plan as of December 31, 2019 is presented below:

Change in Plan Assets:		
Employer contributions	$	14,442
Participant contributions		6,642
Benefit paid		(21,084)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**$**	**-**

The following table presents the funded status at December 31, 2019:

Projected benefit obligation	$	(431,030)
FUNDED STATUS	**$**	**(431,030)**
ACTUARIAL PRESENT VALUE OF BENEFIT OBLIGATIONS:		
Accumulated Benefit Obligations	**$**	**431,030**

Amounts recognized in unrestricted net assets (not yet recognized as a component of net periodic pension cost) and applied to prepaid pension costs or accrued pension costs due to the effect of FASB ASC 715-30-25, *Compensation-Retirement Benefits – Defined Benefit Plans-Pension – Recognition*:

Service cost	$	11,076
Interest cost		15,762
Amortization of prior service costs		(12,267)
Amortization of net income		2,719
		17,290
Other costs		59,498
AMOUNT RECOGNIZED AS OTHER ITEM IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**$**	**76,788**

Other changes in the net postretirement benefit obligation not included in net periodic benefit cost above were $59,498 in 2019.

Amount recognized in net assets without donor restrictions but not yet recognized in net periodic benefit cost:

Net loss	$	(5,699)
Prior service cost		12,267
TOTAL	**$**	**6,568**

Weighted-average assumptions as of December 31, 2019:

Discount Rate for Year	4.25%
Discount Rate at the End Year	3.15%

7. EMPLOYEE BENEFIT PLANS (Continued)

The following is a schedule of benefits expected to be paid in each of the next five years, and in the aggregate for the five fiscal years thereafter as of December 31, 2019.

The expected benefit payments below are based on the same assumptions used to determine the Projected Benefit Obligation as of December 31, 2019 and includes benefits attributable to estimated future employee service.

Year Ending December 31,	
2020	$ 24,056
2021	24,426
2022	27,451
2023	30,262
2024	30,042
2022 - 2026	194,968
	$ 331,205

Pension Plan

The Association has established a pension plan under IRS Code Section 403(b), to which it contributes 4.5% of compensation after the first year of employment, and 9% after two years of employment, for all eligible employees. Employees may make elective tax deferred contributions. Contributions to the Plan during the year ended December 31, 2019 totaled $238,355 and are included in compensation in the accompanying Statement of Functional Expenses.

8. CONTINGENCY

The Association receives grants from various agencies of the United States Government. Beginning for fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2019. Until such audits have been accepted by the U.S. Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

9. COMMITMENTS

The Association has negotiated employment agreements with certain employees. The agreements expire at various dates through December 31, 2022. Compensation under these agreements aggregates to an amount which is considered by the Board of Directors to be reasonable for the services to be performed. The Board of Directors has the right to terminate the agreements at any time by providing 30 days written notice prior to the effective date of termination.

10. RELATED PARTY

In addition to participating with the Association in the ownership of ACP (See Note 3), AIP provides printing and fulfillment services for the Association's publications and processes the Association's health insurance payments. The Association also shares costs incurred by AIP for human resources management fees, society membership dues, and other miscellaneous office services. For the year ended December 31, 2019, the amount paid to AIP totaled $432,270. At December 31, 2019, $59,943 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, 2019, $34,066 was included in accounts receivable for these services.

The Association also received approximately $40,000 for the year ended December 31, 2019, from AIP to support the International Physics Olympiad.

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 year ended December 31, 2019, totaled $13,004. The amount due from APS at December 31, 2019 was $5,072.

11. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Association has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Association has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2019. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money market funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.

11. FAIR VALUE MEASUREMENT (Continued)

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

- *Corporate bonds, U.S. Treasury notes and mortgage-backed securities* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy, the Association's investments as of December 31, 2019:

	Level 1	Level 2	Level 3	Total December 31, 2019
Asset Class:				
Money market funds	$ 515,270	$ -	$ -	$ 515,270
Mutual funds	5,129,708	-	-	5,129,708
Corporate bonds	-	1,656,206	-	1,656,206
Mortgage-backed securities	-	61,109	-	61,109
U.S. Treasury notes	-	7,079	-	7,079
TOTAL	**$ 5,644,978**	**$ 1,724,394**	**$ -**	**$ 7,369,372**

12. ENDOWMENT

The Association's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Association considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Association has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Association considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

12. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of December 31, 2019:

Bauder Endowment Fund	$ 110,000
Lotze Endowment Fund	311,685
Fuller Endowment Fund	10,000
Yamani Endowment Fund	46,550
Lipton Fund	40,000
TPT Publication Fund	10,000
TOTAL ENDOWMENT FUNDS	**$ 528,235**

Endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	$ 1,505,416	$ -	$ 1,505,416
Donor-Restricted Endowment Funds	-	790,318	790,318
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	528,235	528,235
TOTAL FUNDS	**$ 1,505,416**	**$ 1,318,553**	**$ 2,823,969**

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,192,678	$ 1,106,996	$ 2,299,674
Investment return, net	242,890	248,999	491,889
Contributions	90,287	617	90,904
Other income	99,735	-	99,735
Appropriation of endowment assets for expenditure	(120,174)	(38,059)	(158,233)
ENDOWMENT NET ASSETS, END OF YEAR	**$ 1,505,416**	**$ 1,318,553**	**$ 2,823,969**

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as fund of perpetual duration. There were no deficiencies as of December 31, 2019.

Return Objectives and Risk Parameters -

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in conservative instruments.

12. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both current yield (interest and dividends) and capital appreciation (capital gains and other income).

Spending Policy -

The Association has a policy of appropriating for distribution each year approximately 4% of its endowment fund's average fair value over the prior 16 quarters preceding and through the calendar year-end in which the distribution is planned.

13. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 11, 2022, the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Association's operations. The overall potential impact is unknown at this time.

On May 8, 2020, the Association entered into a two-year promissory note agreement in the amount of $421,200 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note called for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. During the year ended December 31, 2020, the Association used the loan proceeds for purposes consistent with the Paycheck Protection Program and applied for forgiveness subsequent to the 24-week period stipulated by the terms of the loan. On December 23, 2020, the Association received notice of full forgiveness of the loan by the SBA, upon which the Association recorded revenue from extinguishment of debt during the period that forgiveness was granted.

On April 16, 2021, the Association entered into a five-year promissory note agreement in the amount of $476,367 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. On November 11, 2021, the Association received notice of full forgiveness of the loan by the SBA, upon which the Association recorded revenue from extinguishment of debt during the period that forgiveness was granted.

SUPPLEMENTAL INFORMATION

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Pass-Through to Sub-Recipients	Total Federal Expenditures
Research and Development - Cluster					
National Science Foundation					
Collaborative Project Workshop	47.076	N/A	N/A	$ -	$ 215,066
Mutual Mentoring to Reduce Isolation in Physics - ADVANCE	47.076	N/A	N/A	-	54,491
Computational Physics Local Fostering Integration	47.076	N/A	N/A	-	82,053
IPLS Portal	47.076	N/A	N/A	-	308,992
Stem +C	47.076	N/A	N/A	92,450	333,865
Mobilizing Women In Physics	47.076	N/A	N/A	-	33,546
Diversify US Physics Com ICWIP	47.076	N/A	N/A	-	22,664
Physport's Impact on Teaching	47.076	N/A	N/A	-	100,432
Disseminating Instructional Physics Labs Workshops	47.076	N/A	N/A	-	51,990
Get the Facts Out	47.076	N/A	N/A	-	26,596
Computational Thinking Conference	47.076	N/A	N/A	-	64,648
Subtotal 47.076				**92,450**	**1,294,343**
Physics Teacher Education Coalition	47.049	American Physical Society	PHY-0808790	-	9,266
Advancing the Integration of Interdisciplinary Computation Thinking in the Physical Sciences and Life Sciences	47.049	American Physical Society	EP3-001-2018	-	3,638
Subtotal 47.049				**-**	**12,904**

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Pass-Through to Sub-Recipients	Total Federal Expenditures
National Aeronautics and Space Administration Science					
Heliophysics Education Consortium: Through the Eyes of NASA to the Hearts and Minds of the Nation	43.001	Temple University of Higher Education	259867-AAPT-01	$ -	$ 67,806
Total Research and Development - Cluster				**92,450**	**1,375,053**
TOTAL EXPENDITURES OF FEDERAL AWARDS				**$ 92,450**	**$ 1,375,053**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of the Association under programs of the federal government for the year ended December 31, 2019. Information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of the Association; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Association.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance*), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Association has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: **Unmodified**

2). Internal control over financial reporting:

- Material weakness(es) identified? ☒ **Yes** ☐ **No**
- Significant deficiency(ies) identified? ☒ **Yes** ☐ **None Reported**

3). Noncompliance material to financial statements noted? ☒ **Yes** ☐ **No**

Federal Awards

4). Internal control over major federal programs:

- Material weakness(es) identified? ☒ **Yes** ☐ **No**
- Significant deficiency(ies) identified? ☒ **Yes** ☐ **None Reported**

5). Type of auditor's report issued on compliance for major federal programs: **Qualified**

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☒ **Yes** ☐ **No**

7). Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
Various	Research & Development Cluster

8). Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

9). Auditee qualified as a low-risk auditee? ☒ **Yes** ☐ **No**

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section II - Financial Statement Findings

Finding 2019-001: Segregation of Duties

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation): As noted in 2 CFR 200.303 "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Condition: The Chief Financial Officer is responsible for reviewing and approving invoices, posting entries into the accounting system without a second level review, obtaining all bank statements unopened while having check signing authority and access to the electronic signature of the Chief Executive Officer.

Cause: Limited staff within the Association's finance department made it difficult to segregate accounting duties.

Effect or Potential Effect: If any one employee can control all stages of a transaction, defalcations or irregularities could occur and go undetected for an extended period of time.

Questioned Costs: None noted.

Context: The basic premise is that no one employee, when possible, should have access to both physical assets and the related accounting records or involved in all phases of a transaction.

Identification as a Repeat Finding, if Applicable: 2018-001

Recommendation: We recommend the Association review its accounting and reporting processes to determine how incompatible duties could be segregated given its limited size and available resources. Although the small size of the Association's Finance Department limits the extent to which certain accounting duties may be segregated, we believe steps should be taken to separate as many incompatible duties as possible.

Views of Responsible Officials and Planned Corrective Actions: In September 2020, AAPT implemented and started using ez-signer software for the executive officer to sign checks. The process now is for the accounts payable to provide the check processing aging report to the executive officer to review and approve. The checks are then signed using the software by the executive officer. The software stamps the check with the date and time and the signers name. The software maintains transaction history and logs for all batches. The CFO does not have access to the easy signer software

Anticipated Completion Date: September 2020

Responsible Official: Michael Brosnan CFO

Please also refer to Findings 2019-002 and 2019-003 in Section III

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

Finding 2019-002: Supporting Documentation

Federal Programs: Research and Development Cluster: All Grants

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation): As noted in 2 CFR §200.303 "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Condition: We noted multiple instances of incomplete or missing supporting documentation to support certain expense transactions.

Cause: The Association is not following internal policies and procedures over expense.

Effect or Potential Effect: Without periodic training and consistent application of the Association's internal policies and procedures, this could potentially result in material noncompliance and misappropriation of funds.

Questioned Costs: None noted as there was other contemporaneous documentation to support the transaction.

Context: Our audit procedures consisted of internal control testwork over the cash disbursements cycle over a sample population of expenditures using a statistical sample. We consider our sample to be representative of the population. The condition appeared to be systematic in nature.

Identification as a Repeat Finding, if Applicable: Not a repeat finding.

Recommendation: To provide a clear audit trail and substantiate the proper recording of expense transactions, we recommend that the Association retain copies of checks and contracts, and file these with the invoices and all other corroborating documentation to support transactions. We also recommend that the Association ensure all expenses posted to the accounting system have complete and sufficient supporting documentation and a clear audit trail when recording expenditures.

Views of Responsible Officials and Planned Corrective Actions: The accounting department will make every effort to comply with the internal controls and procedures over expenses. The accounting department operates under processes that deal with large amounts of paperwork and without adequate amount of access to the office, this process is challenging.

Anticipated Completion Date: December 17, 2021

Responsible Official: Michael Brosnan CFO

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a)) (Continued)

Finding 2019-003: Reconciliation of Accounts

Federal Programs: Research and Development Cluster: All Grants

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation): 22 CFR 226 Subpart C Section 21 "Standards for Financial Management Systems" requires recipients of Federal funds to establish financial management systems that will ensure effective control over and accountability for all funds, property and other assets. In addition, as noted in 2 CFR 200.508 "Auditee Responsibilities" indicates that the auditee must prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (as specifically defined under 2 CFR 200.510 "Financial statements"). Title 2 CFR 200 Section 200.510 "Financial Statements" requires recipients of Federal funds to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements, which must include the total Federal awards expended.

Condition: At the commencement of audit fieldwork, we noted that the year-end Schedule of Expenditures of Federal Awards (SEFA) was not properly prepared or timely provided to us during fieldwork. In addition, the year-end schedules for a few asset and liabilities accounts were not reconciled and needed to be revised and updated.

Cause: The Association did not have the proper internal controls in place to ensure timely and accurate reconciliations of its account balances and the Schedule of Expenditures of Federal Awards.

Effect or Potential Effect: Without the proper reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) with the program profit and loss statements generated by the accounting system on a monthly basis, as well as the proper review and approval of asset and liability reconciliations, there exists the potential for errors, material noncompliance and the misappropriation of funds.

Questioned Costs: None noted.

Context: Our audit procedures consisted of substantive testwork over a sample of the Schedule of Expenditures of Federal Awards (SEFA) that were selected based on a threshold. We consider our sample to be representative of the population. The samples were made using statistical sampling and we believe the condition appeared to be systematic in nature.

Identification as a Repeat Finding, if Applicable: 2018-002

Recommendation: We recommend reconciliations be prepared quarterly to reconcile the internal records to the financial reports that are submitted to the U.S. Government and other donors, and that asset and liability accounts be reconciled monthly as part of the financial statement preparation. It is critical that these items be timely completed and that they are reviewed and approved for clerical accuracy.

Views of Responsible Officials and Planned Corrective Actions: The CFO will reconcile on a quarterly basis reconciliation reports and schedules that are submitted to the U.S. Government.

Anticipated Completion Date: December 17, 2021

Responsible Official: Michael Brosnan CFO

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a)) (Continued)

Finding 2019-004: Procurement

Federal Programs: Research and Development Cluster: All Grants

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation): Procedures articulated in 2 CFR 200.317-326, requires that for all procurement of goods and services, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action based on the dollar thresholds sited in the compliance code.

Condition: The Association did not consistently adhere to written policies with respect to the procurement process, as bids/quotes were not obtainable or the conclusion for selection was not documented.

Cause: The Association's internal policies and procedures governing procurement were not consistently applied.

Effect or Potential Effect: Without proper and complete procurement documentation, there is a risk that the Association will not perform proper evaluation of each element of cost to determine reasonableness.

Questioned Costs: None noted.

Context: Our audit procedures consisted of internal control testwork over the cash disbursement cycle over a sample population of expenditures. We consider our sample to be representative of the population. The condition appeared to be systematic in nature.

Identification as a Repeat Finding, if Applicable: 2018-003.

Recommendation: We recommend that all procurement records for purchases in excess of the purchase threshold include the following, at a minimum: (a) basis for contractor/goods selection or (b) justification for lack of competition when competitive bids or offers are not obtained. Additionally, the conclusion should be clearly documented and accompanying the procurement documentation.

Views of Responsible Officials and Planned Corrective Actions: Management will require all departments to document all procurements for goods and services with written cost and price analysis based on the Association's dollar thresholds.

Anticipated Completion Date: December 17, 2021

Responsible Official: Michael Brosnan CFO

AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a)) (Continued)

Finding 2019-005: Subrecipient Monitoring

Federal Programs: Research and Development Cluster: Stem +C

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation): As stated in 2 CFR 200.331 part (b), all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring procedures to prescribe to each individual subrecipient.

Condition: During our audit work over subrecipient expenditures, we were unable to verify that pre-award risk assessment procedures were performed. It is our understanding that the Association has ongoing relationships with these subrecipients and evaluation of these subrecipients' risk is a continual process; however, these procedures were not documented.

Cause: The Association's internal policies and procedures governing risk assessment on subrecipient was not performed.

Effect or Potential Effect: The Association could inadvertently engage in relationships with subrecipients of higher risk without the appropriate level of oversight to ensure subrecipients are expending funds in accordance with the provisions and terms of the subaward.

Questioned Costs: None noted.

Context: Our audit procedures consisted of substantive testwork over a sample of subrecipient expenditures that were selected based on a threshold. We consider our sample to be representative of the population. The samples were made using statistical sampling and we believe the condition appeared to be systematic in nature.

Identification as a Repeat Finding, if Applicable: 2018-004.

Recommendation: We recommend the Association follow their internal policies and procedures surrounding subrecipients and document the risk assessment criteria for the purpose of determining the expected level of oversight during the period of performance. This evaluation should include a scaling system, such as high, medium or low risk (for example), and the monitoring tools and procedures to be performed at each of these levels (additional training, on-site reviews, types of and frequency of reporting, etc.).

Views of Responsible Officials and Planned Corrective Actions: Management will continue to perform risk assessment procedures and will thoroughly document the processes and evaluations.

Anticipated Completion Date: December 17, 2021

Responsible Official: Michael Brosnan CFO

CPAs & ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the American Association of Physics Teachers, Inc. (the Association) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated February 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as Findings 2019-002 and 2019-003 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-001, 2019-002 and 2019-003.

The Association's Responses to Findings

The Association's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs.The Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gelman Rosenberg & Freedman

February 11, 2022

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the American Association of Physics Teachers, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended December 31, 2019. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the Association did not comply with requirements regarding findings 2019-002 Supporting Documentation and 2019-003 Reconciliation of Accounts. Compliance with such requirements is necessary, in our opinion, for the Association to comply with the requirements applicable to those programs.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Association has complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDAs 43.001, 47.049 and 47.076 (Research and Development Cluster) for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures also disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-004 and 2019-005.

The Association's Responses to Findings

The Association's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Association's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-002 and 2019-003 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-004 and 2019-005 to be significant deficiencies.

The Association's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Association's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gelman Rozenberg & Freedman

February 11, 2022