THE AMERICAN PHILOSOPHICAL ASSOCIATION

AUDITED FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

JUNE 30, 2016
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INDEPENDENT AUDITORS’ REPORT

To the Board of Officers
The American Philosophical Association

We have audited the accompanying financial statements of The American Philosophical Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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. 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 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 American Philosophical Association as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11 to the financial statements, The American Philosophical Association restated the June 30, 2015 financial statements to correct the classification of a contribution between temporarily and permanently restricted net assets. As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note 11 that were applied to restate the 2015 net assets. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited The American Philosophical Association’s 2015 financial statements, and we expressed an unqualified audit opinion on those audited financial statements in our report dated October 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 functional expenses on page 18 is presented for the 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.

January 4, 2017

[Signature]
FINANCIAL STATEMENTS
### Statement of Financial Position

**The American Philosophical Association**

**June 30, 2016 and 2015**

#### Assets

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>Restated 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$419,574</td>
<td>$736,998</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>37,104</td>
<td>4,470</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>8,909</td>
<td>12,672</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>465,587</td>
<td>754,140</td>
</tr>
<tr>
<td><strong>Deposits</strong></td>
<td>8,500</td>
<td>7,500</td>
</tr>
<tr>
<td><strong>Investments - Other</strong></td>
<td>51,125</td>
<td>152,966</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>4,151,664</td>
<td>3,882,951</td>
</tr>
<tr>
<td><strong>Furniture and Equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>68,534</td>
<td>63,982</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(59,455)</td>
<td>(54,482)</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>9,079</td>
<td>9,500</td>
</tr>
<tr>
<td></td>
<td><strong>$4,685,955</strong></td>
<td><strong>$4,807,057</strong></td>
</tr>
</tbody>
</table>

#### Liabilities and Net Assets

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>Restated 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$118,715</td>
<td>$135,209</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>334,469</td>
<td>359,876</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>453,184</td>
<td>495,085</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board designated - endowment</td>
<td>565,751</td>
<td>280,569</td>
</tr>
<tr>
<td>Undesignated</td>
<td>1,020,112</td>
<td>1,321,102</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>1,585,863</td>
<td>1,601,671</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>1,278,905</td>
<td>1,344,688</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>1,368,003</td>
<td>1,365,613</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>4,232,771</td>
<td>4,311,972</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>$4,685,955</strong></td>
<td><strong>$4,807,057</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total 2016</th>
<th>Restated Total 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dues</td>
<td>719,164</td>
<td>$</td>
<td>$</td>
<td>719,164</td>
<td>712,154</td>
</tr>
<tr>
<td>Publication, items and services</td>
<td>195,308</td>
<td>$</td>
<td>$</td>
<td>195,308</td>
<td>253,515</td>
</tr>
<tr>
<td>Meetings</td>
<td>417,764</td>
<td></td>
<td></td>
<td>417,764</td>
<td>358,124</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>54,647</td>
<td></td>
<td></td>
<td>54,647</td>
<td>48,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>43,995</td>
<td>112,295</td>
<td>2,390</td>
<td>158,680</td>
<td>669,139</td>
</tr>
<tr>
<td>Other income</td>
<td>2,084</td>
<td></td>
<td></td>
<td>2,084</td>
<td>1,421</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>150,386</td>
<td>$</td>
<td>$</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>1,583,348</td>
<td>(38,091)</td>
<td>2,390</td>
<td>1,547,647</td>
<td>2,042,353</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>929,384</td>
<td></td>
<td></td>
<td>929,384</td>
<td>830,091</td>
</tr>
<tr>
<td>Management and general</td>
<td>482,304</td>
<td></td>
<td></td>
<td>482,304</td>
<td>461,796</td>
</tr>
<tr>
<td>Member development and fundraising</td>
<td>170,173</td>
<td></td>
<td></td>
<td>170,173</td>
<td>171,602</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>1,581,861</td>
<td></td>
<td></td>
<td>1,581,861</td>
<td>1,463,489</td>
</tr>
<tr>
<td><strong>NET INCOME (LOSS) FROM OPERATIONS</strong></td>
<td>1,487</td>
<td>(38,091)</td>
<td>2,390</td>
<td>(34,214)</td>
<td>578,864</td>
</tr>
<tr>
<td><strong>OTHER CHANGES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income, net of fees of $ 13,217</td>
<td>184,666</td>
<td>68,019</td>
<td></td>
<td>252,685</td>
<td>147,240</td>
</tr>
<tr>
<td>in 2015 ($11,544 in 2014)</td>
<td>(2,361)</td>
<td>(3,911)</td>
<td></td>
<td>(6,272)</td>
<td>3,844</td>
</tr>
<tr>
<td>Net realized gains (losses) on investments</td>
<td>(199,600)</td>
<td>(91,800)</td>
<td></td>
<td>(291,400)</td>
<td>(71,822)</td>
</tr>
<tr>
<td>Net unrealized losses on investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total other changes</strong></td>
<td>(17,295)</td>
<td>(27,692)</td>
<td></td>
<td>(44,987)</td>
<td>79,262</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>(15,808)</td>
<td>(65,783)</td>
<td>2,390</td>
<td>(79,201)</td>
<td>658,126</td>
</tr>
<tr>
<td><strong>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</strong></td>
<td>1,601,671</td>
<td>1,344,688</td>
<td>1,365,613</td>
<td>4,311,972</td>
<td>3,653,846</td>
</tr>
<tr>
<td><strong>NET ASSETS, END OF YEAR</strong></td>
<td>$1,585,863</td>
<td>$1,278,905</td>
<td>$1,368,003</td>
<td>$4,232,771</td>
<td>$4,311,972</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### Statement of Cash Flows

The American Philosophical Association

**For the Years Ended June 30, 2016 and 2015**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$(79,201)</td>
<td>$658,126</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash flow from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,973</td>
<td>4,831</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>600</td>
<td>0</td>
</tr>
<tr>
<td>Net realized (gains) losses on investments</td>
<td>6,272</td>
<td>(3,844)</td>
</tr>
<tr>
<td>Net unrealized losses on investments</td>
<td>291,400</td>
<td>71,822</td>
</tr>
<tr>
<td>Donated securities</td>
<td>0</td>
<td>(992)</td>
</tr>
<tr>
<td>Changes in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(33,234)</td>
<td>(4,470)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>3,763</td>
<td>2,927</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(16,494)</td>
<td>(1,938)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(25,407)</td>
<td>(13,763)</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td><strong>152,672</strong></td>
<td><strong>712,699</strong></td>
</tr>
</tbody>
</table>

| **Investing Activities** |               |               |
| Proceeds from sale of investments | 284,900       | 816,502       |
| Purchase of investments     | (749,444)     | (1,361,442)   |
| Additions to deposits       | (1,000)       | (7,500)       |
| Purchase of furniture and equipment | (4,552)     | (6,957)       |
| **Net cash flow used by investing activities** | **(470,096)**  | **(559,397)**  |

| **Net Change in Cash and Cash Equivalents** |               |               |
|                                           | (317,424)     | 153,302       |

| **Cash and Cash Equivalents, Beginning of Year** | 736,998 | 583,696 |

| **Cash and Cash Equivalents, End of Year** | $419,574 | $736,998 |

| **Supplemental Disclosure of Cash Flow Information** |       |       |
| Cash paid during the year for: |       |       |
| Interest                       | $0    | $0    |
| Income taxes                   | $0    | $0    |

See accompanying notes to financial statements.
Note 1  

Summary of Association activities and significant accounting policies

Association activities

The American Philosophical Association ("the Association") is a nonprofit organization funded to promote the exchange of ideas among philosophers, to encourage creative and scholarly activity in philosophy, to facilitate the professional work and teaching of philosophers, and to represent philosophy as a discipline. The Association’s revenues are primarily from membership dues and publications.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification 958 ("ASC 958") – Not-for-Profit Entities, the Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recognized until the condition is met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions (pledges) to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for contributions receivable is provided based on management’s judgment including such factors as prior collection history and types of contributions.

Contributions with restrictions met in the same year

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.
Note 1  Summary of significant accounting policies (cont’d)

Net asset classifications

FASB ASC 958-10, Not-for-Profit Entities-Disclosure provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The accounting standard also improves disclosures about an organization’s endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

During the years ended June 30, 2016 and 2015, the Association has determined that its permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – resources contributed by donors under the stipulation that the principal of the gift be retained intact in perpetuity and that investment earnings on those gifts, both yields and gain/losses, be used to support operations. The donor may further stipulate that the earnings be applied to specific operating purposes.

Temporarily restricted net assets – resources contributed by donors subject to use for stipulated purposes or in stipulated future time periods.

Unrestricted net assets – resources available to support any operating need of the Association.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
Note 1  Summary of significant accounting policies (cont’d)

Net asset classifications (cont’d)

The Association’s endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Officers to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Officers to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Officers of the Association has interpreted the State Prudent Management of Institutional Funds Act (“SPMIFA”) 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 expenditure by the Association in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association’s investment policies.

The Association has adopted investment and spending policies, approved by the Board of Officers, for endowment assets. These policies are focused on the long-term preservation of capital and on providing a competitive total return, consistent with historical capital market conditions. These policies employ target asset allocations and asset allocation rebalancing guidelines to lower portfolio risk and to provide necessary liquidity. It is anticipated that the endowment fund may distribute 3% to 5% of its annual distributable income.

Investment returns are measured in a manner consistent with guidelines issued by the Global Investment Performance Standards (GIPS) and by other means, as determined by the Board of Officers. Performance is compared to relevant benchmarks, and rolling five-year periods are evaluated to determine if investment objectives are being met.
Note 1 Summary of significant accounting policies (cont’d)

Income taxes

The Association is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Association adheres to FASB ASC 740 – Income Taxes. For the years ended June 30, 2016 and 2015 the Association has determined it did not have a material tax liability for uncertain tax positions.

The Association’s policy for penalties and interest assessed by income taxing authorities is to include them in operating expenses. For the years ended June 30, 2016 and 2015, the Association did not incur any penalties and interest from taxing authorities.

The federal income tax returns of the Association for the fiscal years ended June 30, 2013, 2014 and 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

In-kind contributions

The Association recognizes contributed professional services if the services received (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair market value when received.

The Association receives a significant amount of skilled, contributed time for programs and special events, which does not meet either of the two criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

The University of Delaware provides office space and support services to the national office. The value of the space and services was estimated at $ 54,647 for the year ended June 30, 2016 ($ 48,000 in 2015) and has been included in both revenues and expenses.

Cash and cash equivalents

The Association considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

Investments

The Association carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.
Note 1  Summary of significant accounting policies (cont'd)

Office furniture and equipment

Office furniture and equipment are stated at cost. Cost is the purchase price at date of acquisition, if purchased, or the fair value at date of donation, if acquired by gift. Depreciation is computed over the estimated useful lives of office furniture and equipment using the straight-line method. The annual depreciation rates are based on the following ranges of useful lives:

Office furniture and equipment 3-10 years

Depreciation expense for the years ended June 30, 2016 and 2015 was $4,973 and $4,831, respectively.

Renewals and improvements are capitalized and normal maintenance and repairs are expensed as incurred.

Deferred revenue

Deferred revenue represents amounts received for services to be rendered in future years. The revenue from these services consists primarily of membership dues.

Revenue recognition

Fees for memberships are recognized in the year of membership.

Advertising

Advertising costs are charged to expense when incurred. Advertising expense for the years ended June 30, 2016 and 2015 was $115 and $804, respectively.

Investments - other

Investments - other as of June 30, 2016 and 2015 consist of certificates of deposit and are stated at cost.

Functional expense allocation

Salaries, employee benefits, and other expenses related directly to a specific function are charged to that program or support service. Depreciation and rent related to more than one function are charged to programs and supporting services on the basis of a usage analysis.
Note 1  
Summary of significant accounting policies (cont’d)  

Comparative information  
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete 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 June 30, 2015, from which the summarized information was derived. These financial statements have been restated as discussed in Note 11.  

Reclassification  
Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.  

Subsequent events  
The date to which events occurring after June 30, 2016, the date of the most recent Statement of Financial Position, have been evaluated for possible adjustment to the financial statements or disclosure is January 4, 2017, which is the date on which the financial statements were available to be issued.  

Note 2  
Financial instruments  

Concentrations of credit risk  
Financial instruments which potentially subject the Association to significant concentrations of credit risk are principally cash and investments. The Association’s cash is maintained in bank deposit accounts with financial institutions that at times exceed federally insured limits. The Association has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.  
The investments are unsecured and are managed by professional advisors subject to the Association’s investment policy. The degree and concentration of credit risk vary by the type of investment.  

Fair value measurement of financial instruments  
The Association values its financial instruments in accordance with FASB ASC 820 – Fair Value Measurements and Disclosures. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The definitions, framework, and disclosures required by FASB ASC 820 apply to other accounting pronouncements that require or permit fair value measurement. FASB ASC 820 does not require any new fair value measurements of reported balances.
Financial instruments (cont'd)

Fair value measurement of financial instruments (cont'd)

FASB ASC 820 establishes a three-level hierarchy that prioritizes the factors (inputs) used to calculate the fair value of assets and liabilities:

Level 1 - inputs are unadjusted quoted prices, such as a New York Stock Exchange closing price in active markets for identical assets. Level 1 is the highest priority in the hierarchy.

Level 2 - inputs may include quoted prices for similar assets and liabilities in active markets, as well as other significant inputs that are observable at commonly quoted intervals, such as interest rates, foreign exchange rates, and yield curves.

Level 3 - inputs are unobservable. Typically, assumptions determine the inputs since there is little, if any, related market activity. Level 3 is the lowest priority in the hierarchy.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments - the fair value of Level 1 debt and equity securities is determined by reference to quoted market prices. The fair value of Level 2 equity securities is determined by using a market approach and reflects the fair value of a mutual fund's underlying securities divided by the number of shares that are outstanding within the fund.

Fair values of assets measured on a recurring basis are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value at Reporting Date Using</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quoted Prices In Active Markets for Identical Assets (Level 1)</td>
</tr>
<tr>
<td>June 30, 2016</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Money market funds</td>
<td>$67,562</td>
</tr>
<tr>
<td>Equity securities</td>
<td>3,175,057</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>909,045</td>
</tr>
<tr>
<td>Total</td>
<td>$4,151,664</td>
</tr>
</tbody>
</table>

-12-
Note 2  
Financial instruments (cont'd)

Fair value measurement of financial instruments (cont'd)

Fair values of assets measured on a recurring basis are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2015</td>
<td>Fair Value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>$ 79,081</td>
<td>$ 79,081</td>
<td>$ 0</td>
</tr>
<tr>
<td>Equity securities</td>
<td>3,007,062</td>
<td>3,007,062</td>
<td>0</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>796,808</td>
<td>796,808</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,882,951</td>
<td>$ 3,882,951</td>
<td>0</td>
</tr>
</tbody>
</table>

The following is a summary of investments at June 30:

2016

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair Value</th>
<th>Unrealized Appreciation/ (Depreciation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$ 67,562</td>
<td>$ 67,562</td>
<td>$ 0</td>
</tr>
<tr>
<td>Equity securities</td>
<td>3,279,513</td>
<td>3,175,057</td>
<td>(104,456)</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>953,447</td>
<td>909,045</td>
<td>(44,402)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 4,300,522</td>
<td>$ 4,151,664</td>
<td>$ (148,858)</td>
</tr>
</tbody>
</table>

2015

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair Value</th>
<th>Unrealized Appreciation/ (Depreciation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$ 79,081</td>
<td>$ 79,081</td>
<td>$ 0</td>
</tr>
<tr>
<td>Equity securities</td>
<td>2,804,784</td>
<td>3,007,062</td>
<td>202,278</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>856,544</td>
<td>796,808</td>
<td>(59,736)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,740,409</td>
<td>$ 3,882,951</td>
<td>$ 142,542</td>
</tr>
</tbody>
</table>
Note 3  
**Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes at June 30:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2016</th>
<th>Restated 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allison lectureship Fund</td>
<td>$100,910</td>
<td>$103,138</td>
</tr>
<tr>
<td>Article and book prize</td>
<td>7,442</td>
<td>13,187</td>
</tr>
<tr>
<td>Baumgardt prize</td>
<td>311,481</td>
<td>318,789</td>
</tr>
<tr>
<td>Berger prize</td>
<td>3,740</td>
<td>3,828</td>
</tr>
<tr>
<td>Berry fund</td>
<td>84,383</td>
<td>88,840</td>
</tr>
<tr>
<td>Dewey &amp; Scheffler prizes</td>
<td>94,688</td>
<td>0</td>
</tr>
<tr>
<td>Diversity and inclusiveness</td>
<td>14,739</td>
<td>11,955</td>
</tr>
<tr>
<td>Gittler prize</td>
<td>40,469</td>
<td>47,921</td>
</tr>
<tr>
<td>Hampton prize</td>
<td>8,897</td>
<td>9,105</td>
</tr>
<tr>
<td>Latin american thought essay prize</td>
<td>3,430</td>
<td>3,380</td>
</tr>
<tr>
<td>Mellon foundation grant</td>
<td>356,449</td>
<td>481,197</td>
</tr>
<tr>
<td>Overseas philosophers fund</td>
<td>7,360</td>
<td>8,289</td>
</tr>
<tr>
<td>Quinn prize</td>
<td>40,708</td>
<td>44,108</td>
</tr>
<tr>
<td>Romanell prize</td>
<td>72,765</td>
<td>77,736</td>
</tr>
<tr>
<td>Schutz prize</td>
<td>85,425</td>
<td>87,422</td>
</tr>
<tr>
<td>Sharp prize</td>
<td>36,513</td>
<td>37,158</td>
</tr>
<tr>
<td>Short-term restricted prizes</td>
<td>3,500</td>
<td>3,500</td>
</tr>
<tr>
<td>Teaching fund</td>
<td>6,006</td>
<td>5,135</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,278,905</strong></td>
<td><strong>$1,344,688</strong></td>
</tr>
</tbody>
</table>

Note 4  
**Net assets released from restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article and book prize</td>
<td>$4,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Berger</td>
<td>0</td>
<td>500</td>
</tr>
<tr>
<td>Berry fund</td>
<td>2,945</td>
<td>0</td>
</tr>
<tr>
<td>Dewey &amp; Scheffler Prizes</td>
<td>3,260</td>
<td>0</td>
</tr>
<tr>
<td>Diversity and inclusiveness</td>
<td>0</td>
<td>3,900</td>
</tr>
<tr>
<td>Gittler prize</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Hampton prize</td>
<td>0</td>
<td>500</td>
</tr>
<tr>
<td>Latin american thought essay prize</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Mellon foundation grant</td>
<td>114,713</td>
<td>126,563</td>
</tr>
<tr>
<td>Overseas philosophers fund</td>
<td>770</td>
<td>110</td>
</tr>
<tr>
<td>Quinn prize</td>
<td>3,060</td>
<td>2,500</td>
</tr>
<tr>
<td>Romanell prize</td>
<td>3,138</td>
<td>316</td>
</tr>
<tr>
<td>Sharp prize</td>
<td>0</td>
<td>1,500</td>
</tr>
<tr>
<td>Short-term restricted prizes</td>
<td>14,000</td>
<td>16,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$150,386</strong></td>
<td><strong>$158,389</strong></td>
</tr>
</tbody>
</table>
Note 5  
Permanent restricted net assets

The Association’s permanently restricted net assets are to be retained intact in perpetuity, with the investment earnings on the principal to be used to support operations unless the donor has stipulated a restriction on those earnings. Investment earnings on the below principal balances of permanently restricted net assets are available for the following purposes at June 30:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>Restated 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Association operations</td>
<td>$1,208,003</td>
<td>$1,205,613</td>
</tr>
<tr>
<td>Article and book prize</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Gittler prize</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,368,003</strong></td>
<td><strong>$1,365,613</strong></td>
</tr>
</tbody>
</table>

Note 6  
Employee benefit plan

The Association has a 403(b) plan for its professional employees through the University of Delaware. Employees age 35 and older must contribute at least 4% of their salary, not to exceed federal dollar limits. Participation by employees under age 35 is voluntary. The Association makes contributions of 11% of salary for those employees who contribute at least 4% of their salary. For the years ended June 30, 2016 and 2015, the Association’s contributions to the plan were $31,817 and $30,690, respectively.

The Association has a pension plan for its salaried employees through the State of Delaware. Employees contribute 3% of their salary in excess of $6,000. The Association contributes a fixed percentage of total salary, currently 9.6%. The percentage rate is adjusted each fiscal year by the State of Delaware. For the years ended June 30, 2016 and 2015, the Association’s contributions to the plan were $10,760 and $10,613, respectively.

Note 7  
Commitments

The Association has agreements with various hotels for preferred room rates for conferences through April 2019. If the Association cancels any of these agreements within the next year, the maximum liquidating damages the Association would be obligated to pay is $1,345,756. The Association has obtained insurance policies to cover $1,229,115 of these potential damages, leaving the Association with a net maximum liability of $116,641 related to these contracts.

Note 8  
Major contributors

Of the $158,680 received in contributions for the year ended June 30, 2016, 58%, or $92,000, was received from one contributor. Of the $669,139 received in contributions for the year ended June 30, 2015, 90%, or $600,000, was received from two contributors.
### Note 9  
**Endowment assets**

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

<table>
<thead>
<tr>
<th>Endowment Funds</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted</td>
<td>$ 0</td>
<td>$ 1,278,905</td>
<td>$ 1,368,003</td>
<td>$ 2,646,908</td>
</tr>
<tr>
<td>Board-designated</td>
<td>565,751</td>
<td>0</td>
<td>0</td>
<td>565,751</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 565,751</td>
<td>$ 1,278,905</td>
<td>$ 1,368,003</td>
<td>$ 3,212,669</td>
</tr>
</tbody>
</table>

Endowment net asset composition by type of fund as of June 30, 2015, as restated, is as follows:

<table>
<thead>
<tr>
<th>Endowment Funds</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted</td>
<td>$ 0</td>
<td>$ 1,271,251</td>
<td>$ 1,365,613</td>
<td>$ 2,636,864</td>
</tr>
<tr>
<td>Board-designated</td>
<td>280,569</td>
<td>0</td>
<td>0</td>
<td>280,569</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 280,569</td>
<td>$ 1,271,251</td>
<td>$ 1,365,613</td>
<td>$ 2,917,433</td>
</tr>
</tbody>
</table>
Note 10  **Endowment assets (cont’d)**

Changes in endowment net assets for the years ended June 30, 2016 and 2015 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Endowment net assets, July 01, 2014</strong></td>
<td>$214,670</td>
<td>$863,138</td>
<td>$1,365,613</td>
<td>$2,443,421</td>
</tr>
<tr>
<td><strong>Investment return:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income, net of fees</td>
<td>68,082</td>
<td>49,685</td>
<td>0</td>
<td>117,767</td>
</tr>
<tr>
<td>Net realized / unrealized gains</td>
<td>(56,486)</td>
<td>(34,398)</td>
<td>0</td>
<td>(90,884)</td>
</tr>
<tr>
<td><strong>Total investment return</strong></td>
<td>11,596</td>
<td>15,287</td>
<td>0</td>
<td>26,883</td>
</tr>
<tr>
<td>Contributions transferred into endowment</td>
<td>0</td>
<td>424,652</td>
<td>0</td>
<td>424,652</td>
</tr>
<tr>
<td>Appropriation of assets for expenditure</td>
<td>0</td>
<td>(31,826)</td>
<td>0</td>
<td>(31,826)</td>
</tr>
<tr>
<td>Other changes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from board-designated endowment</td>
<td>54,303</td>
<td>0</td>
<td>0</td>
<td>54,303</td>
</tr>
<tr>
<td><strong>Endowment net assets, June 30, 2015, as restated</strong></td>
<td>$280,569</td>
<td>$1,271,251</td>
<td>$1,365,613</td>
<td>$2,917,433</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment return:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income, net of fees</td>
<td>78,088</td>
<td>68,019</td>
<td>0</td>
<td>146,107</td>
</tr>
<tr>
<td>Net realized / unrealized losses</td>
<td>(95,169)</td>
<td>(95,711)</td>
<td>0</td>
<td>(190,880)</td>
</tr>
<tr>
<td><strong>Total investment return</strong></td>
<td>(17,081)</td>
<td>(27,692)</td>
<td>0</td>
<td>(44,773)</td>
</tr>
<tr>
<td>Contributions transferred into endowment</td>
<td>340,000</td>
<td>112,295</td>
<td>2,390</td>
<td>454,685</td>
</tr>
<tr>
<td>Appropriation of assets for expenditure</td>
<td>0</td>
<td>(76,949)</td>
<td>0</td>
<td>(76,949)</td>
</tr>
<tr>
<td>Other changes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers to board-designated endowment</td>
<td>(37,737)</td>
<td>0</td>
<td>0</td>
<td>(37,737)</td>
</tr>
<tr>
<td><strong>Endowment net assets, June 30, 2016</strong></td>
<td>$565,751</td>
<td>$1,278,905</td>
<td>$1,368,003</td>
<td>$3,212,659</td>
</tr>
</tbody>
</table>

Note 11  **Restatement of financial statements**

During the audit for the year ended June 30, 2016, it was discovered that $60,000 in funds contributed to the organization in a prior year were recorded as temporarily restricted when it was the donor’s intent to have them permanently restricted and the earnings from the contribution be temporarily restricted. As a result, temporarily net assets on the statement of financial position and statement of activities have been reduced by $60,000 as of June 30, 2015 and permanently restricted net assets have been increased by $60,000 as of June 30, 2015.
### SCHEDULE OF FUNCTIONAL EXPENSES

**THE AMERICAN PHILOSOPHICAL ASSOCIATION**

**FOR THE YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015**

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Member Development and Fundraising</th>
<th>Total 2016</th>
<th>Total 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bad debts</td>
<td>$ 600</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 600</td>
<td>$ 0</td>
</tr>
<tr>
<td>Conferences</td>
<td>223,317</td>
<td>22,659</td>
<td>0</td>
<td>245,976</td>
<td>183,750</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,922</td>
<td>1,516</td>
<td>535</td>
<td>4,973</td>
<td>4,831</td>
</tr>
<tr>
<td>Grants, prizes and awards</td>
<td>227,589</td>
<td>4,200</td>
<td>0</td>
<td>231,789</td>
<td>259,569</td>
</tr>
<tr>
<td>Office</td>
<td>1,031</td>
<td>51,821</td>
<td>0</td>
<td>52,852</td>
<td>48,840</td>
</tr>
<tr>
<td>Payroll and benefits</td>
<td>289,786</td>
<td>293,103</td>
<td>135,865</td>
<td>718,754</td>
<td>643,016</td>
</tr>
<tr>
<td>Professional fees</td>
<td>0</td>
<td>39,300</td>
<td>0</td>
<td>39,300</td>
<td>56,124</td>
</tr>
<tr>
<td>Program costs</td>
<td>29,276</td>
<td>0</td>
<td>0</td>
<td>29,276</td>
<td>6,637</td>
</tr>
<tr>
<td>Publications, items and services</td>
<td>120,295</td>
<td>11,108</td>
<td>12,293</td>
<td>143,696</td>
<td>161,150</td>
</tr>
<tr>
<td>Rent and occupancy</td>
<td>34,568</td>
<td>17,939</td>
<td>6,330</td>
<td>58,837</td>
<td>53,448</td>
</tr>
<tr>
<td>Service fees</td>
<td>0</td>
<td>40,658</td>
<td>15,150</td>
<td>55,808</td>
<td>46,124</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 929,384</strong></td>
<td><strong>$ 482,304</strong></td>
<td><strong>$ 170,173</strong></td>
<td><strong>$ 1,581,861</strong></td>
<td><strong>$ 1,463,489</strong></td>
</tr>
</tbody>
</table>