

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.

**FINANCIAL STATEMENTS
AND
REPORT UNDER THE UNIFORM GUIDANCE
Year Ended December 31, 2015**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The American Association of Physics Teachers, Inc.

We have audited the accompanying financial statements of the American Association of Physics Teachers, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, 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.

Auditors' 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 auditors' 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 Association of Physics Teachers, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017, on our consideration of American Association of Physics Teachers, Inc.'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 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 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 American Association of Physics Teachers, Inc.'s internal control over financial reporting and compliance.

Prior Period Financial Statements and Comparative Information

The financial statements of the American Association of Physics Teachers, Inc. as of December 31, 2014, and the year then ended were audited by other auditors whose report dated September 25, 2015, expressed an unmodified audit opinion on those statements. The summarized comparative information provided herein, as of and for the year ended December 31, 2014, has been derived from the 2014 financial statements and we express no opinion on it.

Bethesda, Maryland
November 28, 2016

A handwritten signature in cursive script that reads "Rubino & Company". The signature is written in black ink and is positioned to the right of the typed text "Bethesda, Maryland" and "November 28, 2016".

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS
STATEMENT OF FINANCIAL POSITION
December 31, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 2,150,692	\$ 590,291
Investments	5,367,177	5,404,892
Receivables	745,101	1,597,916
Inventory	107,547	99,446
Prepaid expenses	73,370	175,694
Property and equipment, net	58,782	29,399
Investment in ACP	<u>523,196</u>	<u>433,823</u>
 Total assets	 <u>\$ 9,025,865</u>	 <u>\$ 8,331,461</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 485,119	\$ 326,361
Accrued payroll and related liabilities	128,825	116,457
Unearned revenue	2,595,922	2,413,951
Capital lease obligation	10,490	12,600
Accrued postretirement benefit obligation	<u>346,809</u>	<u>465,295</u>
 Total liabilities	 3,567,165	 3,334,664
Net Assets		
Unrestricted		
Undesignated	3,290,126	2,850,996
Board designated	<u>1,143,965</u>	<u>1,148,909</u>
	4,434,091	3,999,905
Temporarily restricted	536,374	508,657
Permanently restricted	<u>488,235</u>	<u>488,235</u>
 Total net assets	 <u>5,458,700</u>	 <u>4,996,797</u>
 Total liabilities and net assets	 <u>\$ 9,025,865</u>	 <u>\$ 8,331,461</u>

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

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Unrestricted				2015 <u>Total</u>	2014 <u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
Revenue and support						
American Journal of Physics	\$ 1,700,407	\$ -	\$ -	\$ -	\$ 1,700,407	\$ 1,664,091
The Physics Teacher	962,544	-	-	-	962,544	1,005,762
Membership	801,952	96,958	-	-	898,910	902,189
Meetings, workshops, and projects	923,675	57,684	-	-	981,359	896,639
Grants	755,256	-	-	-	755,256	680,077
Investment income	(38,748)	(10,127)	(14,736)	-	(63,611)	296,646
Other publications	63,909	85,497	-	-	149,406	221,410
International Physics Olympiad	136,971	-	-	-	136,971	132,164
Earnings of investment in ACP	89,779	-	-	-	89,779	78,600
Contributions	21,921	29,627	53,790	-	105,338	60,758
Miscellaneous income	12,732	-	-	-	12,732	3,700
Net assets released from restrictions	11,337	-	(11,337)	-	-	-
Total revenue and support	<u>5,441,735</u>	<u>259,639</u>	<u>27,717</u>	<u>-</u>	<u>5,729,091</u>	<u>5,942,036</u>
Expenses						
Program services						
American Journal of Physics	464,386	-	-	-	464,386	441,526
The Physics Teacher	462,279	-	-	-	462,279	463,105
Membership	521,073	55,655	-	-	576,728	567,223
Meetings, workshops, and projects	833,407	85,498	-	-	918,905	743,910
Grants	624,056	-	-	-	624,056	562,645
Other publications	293,557	96,974	-	-	390,531	426,092
Support Services						
General and administrative	1,799,067	26,456	-	-	1,825,523	1,786,222
Fundraising	4,780	-	-	-	4,780	3,485
Total expenses	<u>5,002,605</u>	<u>264,583</u>	<u>-</u>	<u>-</u>	<u>5,267,188</u>	<u>4,994,208</u>
Change in net assets	439,130	(4,944)	27,717	-	461,903	947,828
Net assets, beginning of year	<u>2,850,996</u>	<u>1,148,909</u>	<u>508,657</u>	<u>488,235</u>	<u>4,996,797</u>	<u>4,048,969</u>
Net assets, end of year	<u>\$ 3,290,126</u>	<u>\$ 1,143,965</u>	<u>\$ 536,374</u>	<u>\$ 488,235</u>	<u>\$ 5,458,700</u>	<u>\$ 4,996,797</u>

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

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	American Journal of Physics	The Physics Teacher	Membership	Meetings, workshops, and projects	Grants	Other Publications	Total programs	General and administrative	Fundraising	2015 Total	2014 Total
Compensation	\$ 139	\$ 252,358	\$ 355,765	\$ 349,219	\$ 229,193	\$ 154,519	\$ 1,341,193	\$ 1,031,621	\$ 4,162	\$ 2,376,976	\$ 2,345,132
Editorial office	239,434	610	-	-	(1,724)	-	238,320	-	-	238,320	183,389
Travel	880	7,072	26,885	113,456	28,976	7,039	184,308	86,319	-	270,627	262,040
Publications	96,897	85,145	10,994	546	267	20,419	214,268	-	-	214,268	208,568
Rent	-	-	-	-	-	-	-	223,328	-	223,328	207,630
Participant support	-	-	164	2,600	188,440	-	191,204	-	-	191,204	160,526
Online journals	86,350	67,251	-	-	-	1,472	155,073	-	-	155,073	144,351
Consultants, contracts and temporary	-	-	750	9,659	134,730	15,000	160,139	-	-	160,139	110,394
Other	220	-	26,881	31,572	1,965	78,948	139,586	16,822	-	156,408	116,719
Conferences meetings and workshops	-	738	46,268	193,043	12,891	-	252,940	11,556	-	264,496	267,963
Computer supplies and maintenance	-	262	429	70	900	469	2,130	101,962	-	104,092	103,801
Postage, packing and shipping	30,839	28,537	14,152	17,613	1,514	-	92,655	723	618	93,996	103,306
Audio visual	-	-	3,375	-	4,734	-	8,109	2,922	-	11,031	21,498
Due and memberships	-	-	75,210	-	-	-	75,210	2,905	-	78,115	79,888
Exhibit and meeting expenses	-	600	6,094	-	-	-	6,694	-	-	6,694	6,678
Photocopying and printing	-	-	95	18,356	1,280	-	19,731	3,290	-	23,021	26,008
Professional fees	-	1,880	894	-	2,500	-	5,274	82,452	-	87,726	96,536
Honoraria	6,500	5,600	-	104,667	500	-	117,267	-	-	117,267	74,626
Bank fees	-	-	-	-	-	-	-	52,155	-	52,155	47,391
Publishing services	-	1,955	-	-	13,071	-	15,026	-	-	15,026	32,286
Awards	-	-	1,500	8,530	-	12,000	22,030	(800)	-	21,230	31,415
Office services	-	-	-	-	-	-	-	37,581	-	37,581	36,494
Advertising	375	8,475	6,562	6,569	-	-	21,981	3,160	-	25,141	30,171
Materials and supplies	386	113	525	22,132	4,542	7,430	35,128	7,424	-	42,552	32,344
Investment expenses	-	-	-	1,236	-	28,907	30,143	-	-	30,143	28,115
Depreciation	-	-	-	-	-	-	-	41,087	-	41,087	36,417
Insurance	-	-	-	2,238	-	-	2,238	-	-	2,238	2,320
Telephone	-	-	-	708	277	-	985	6,128	-	7,113	6,225
Storage	2,366	1,683	185	-	-	-	4,234	812	-	5,046	4,832
Other facility costs	-	-	-	34,691	-	64,328	99,019	114,076	-	213,095	186,115
Security	-	-	-	2,000	-	-	2,000	-	-	2,000	1,030
Total expense per statement of activities	464,386	462,279	576,728	918,905	624,056	390,531	3,436,885	1,825,523	4,780	5,267,188	4,994,208
Allocation of administrative expenses	277,525	276,267	324,356	514,249	146,188	35,490	1,574,075	(1,576,932)	2,857	-	-
Total with allocated administrative cost	\$ 741,911	\$ 738,546	\$ 901,084	\$ 1,433,154	\$ 770,244	\$ 426,021	\$ 5,010,960	\$ 248,591	\$ 7,637	\$ 5,267,188	\$ 4,994,208

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

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS
STATEMENT OF CASH FLOWS
Year Ended December 31, 2015

	<u>2015</u>
Cash flows from operating activities	
Change in net assets	\$ 461,903
Reconciling adjustments	
Depreciation and amortization	24,004
Net realized and unrealized investment losses	172,192
Earnings on investment in ACP	(89,373)
Changes in operating assets and liabilities:	
Receivables	852,815
Inventory	(8,101)
Prepaid expenses	102,324
Accounts payable and accrued liabilities	158,758
Accrued compensation and related liabilities	12,368
Unearned revenue	181,971
Accrued postretirement benefit obligation	<u>(118,486)</u>
Net cash provided by operating activities	<u>1,750,375</u>
Cash flows from investing activities	
Purchase of investments	(164,620)
Sale of investments	30,143
Purchase of property and equipment	<u>(53,387)</u>
Net cash used by investing activities	<u>(187,864)</u>
Cash flows from financing activities	
Principal payments on capital lease obligation	<u>(2,110)</u>
Net increase in cash and cash equivalents	1,560,401
Cash and cash equivalents, beginning of year	<u>590,291</u>
Cash and cash equivalents, end of year	<u>\$ 2,150,692</u>
Supplemental cash flow information:	
Cash paid for interest:	<u>\$ 685</u>
Cash paid for taxes:	<u>\$ -</u>

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

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

1. Organization

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

2. Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

The Association maintains cash accounts with federally insured financial institutions. Deposits usually exceed federally-insured limits, but management does not consider this to be a significant concentration of credit risk. Cash and cash equivalents excludes money market funds that are part of the investment portfolio, but includes overnight repurchase agreements collateralized by obligations issued or guaranteed by the federal government.

Investments

Investments are recorded at estimated fair value based on quoted market prices provided by the investment custodians. Purchases and sales of securities are recorded on a trade-date basis. Investment income, including unrealized gains or losses, is reported in the statement of activities as increases or decreases in unrestricted net assets, unless otherwise restricted by the donor or by law.

The Association's interest in the American Center for Physics, Inc. (ACP) is being accounted for under the equity method based on the Association's representation on ACP's Board of Directors. The Association's residual share of ACP was approximately 5% based on its financial participation factor (as defined in the ACP operating agreement) at December 31, 2015.

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Receivables are carried at original amounts less an estimate for doubtful accounts based on an annual review of all outstanding items. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Accordingly, there was no allowance for doubtful accounts balance at December 31, 2015.

Inventory

Inventory consists primarily of publications and periodicals held for resale. Inventory is stated at the lower of cost, using the average costing method, or market.

Property and Equipment

Furniture and equipment are stated at cost; with the exception of donated items which are recorded at fair value at the date of donation. Depreciation and amortization are recorded using the straight-line method over estimated useful lives ranging from three to five years. Expenditures for maintenance and repairs are charged to operations as incurred. Major renewals and betterments are capitalized. Any property and equipment purchases relating to federal awards are expensed as contract costs only in the case that the contract or grant specifically authorizes such charges. Otherwise, the cost of capital expenditures used in support of federally awarded programs is recovered using the straight-line depreciation method charged indirectly to the specific contract.

Contributions

Contributions are recorded as support, at fair value, when received. Contributions that are restricted by the donor as to time or purpose are reported as an increase in temporarily restricted net assets. When a time restriction ends or a 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.

Membership Dues and Subscription Revenue

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

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

2. Summary of Significant Accounting Policies (continued)

Grants

The Association derives revenue from cost-reimbursable grants and cooperative agreements, principally with the U.S. Government, recognized based on reimbursable costs incurred. To the extent advances exceed reimbursable costs, deferred revenue is recorded. To the extent reimbursable costs exceed advances and reimbursements, an account receivable is recorded.

Income Taxes

The Association is generally exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code. As such, it is exempt from federal income taxes on all but unrelated business income. Under the current Internal Revenue Service (IRS) regulations, advertising and other non-exempt revenue earned is subject to unrelated business income tax. For the year ended December 31, 2015, the Association had no net unrelated business income.

However, tax years ended December 31, 2012 through 2014 remain open to examination by the taxing jurisdictions to which The Association is subject, and they have not been extended beyond the applicable statute of limitations.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities.

Reclassification

Certain amounts in the prior year comparative totals have been reclassified to conform to the presentation in the current year financial statements.

Subsequent Events

Management has evaluated subsequent events through November 28, 2016, the date which the financial statements were available to be issued.

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

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 will acquire a percentage of interest in the net assets of ACP.

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

The equity interest in the operation and ownership of the project is described in an agreement between ACP and its members (the Agreement). Pursuant to the Agreement, the Association has recognized a cumulative investment gain of \$523,196 at December 31, 2015.

Summarized financial information for ACP as of and for the year ended December 31, 2015, consists of the following (in thousands):

Total assets		\$ <u>19,887</u>
Total liabilities		3,306
Net assets		<u>16,581</u>
Total liabilities and net assets		<u>\$ 19,887</u>
Total revenue		5,859
Total expenses		<u>4,009</u>
Change in net assets		<u>\$ 1,850</u>

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

3. American Center for Physics, Inc. (continued)

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

The lease payments are determined based on a percentage of the base costs, including financing and other operating costs. Total payments made to ACP were \$496,452 for the year ended December 31, 2015. Rental rebates were \$35,886 for the year ended December 31, 2015.

The following is a schedule of the estimated minimum lease payments due to ACP at December 31, 2015:

Year ending December 31, 2016	\$	308,895
2017		331,702
2018		<u>276,418</u>
	\$	<u><u>917,015</u></u>

4. Investments

Investments consist of the following at December 31, 2015:

Short-term investments

Mutual funds	\$	606,796
Money market		<u>261,041</u>
Total short-term investments		<u>867,837</u>

Long-term investments

Mutual funds		4,396,366
Money market		<u>102,974</u>
Total long-term investments		<u>4,499,340</u>

Total investments	\$	<u><u>5,367,177</u></u>
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THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

4. Investments (continued)

Investment return for the year ended December 31, 2015, consists of the following:

Interest and dividends	\$ 108,987
Net realized and unrealized (losses) gains	<u>(172,598)</u>
	<u>\$ (63,611)</u>

Investments are reported at fair values at year-end. See Note 11 for a discussion of fair value measurements. Investments are subject to market risks, and their values fluctuate daily. Due to the level of risk associated with investment securities, changes in the values of investment securities will occur in the near term, and such changes could materially affect the Association's financial position.

5. Accounts Receivable

Accounts receivable as of December 31, 2015, consist of the following:

Grants	\$ 608,790
Due from affiliate	35,886
Subscription and other	<u>100,425</u>
Total accounts receivable	<u>\$ 745,101</u>

6. Property and Equipment

Property and equipment as of December 31, 2015, consist of the following:

Equipment	\$ 113,569
Software	<u>74,536</u>
	188,105
Less: accumulated depreciation and amortization	<u>(129,323)</u>
Property and equipment, net	<u>\$ 58,782</u>

Equipment includes assets financed under a capital lease arrangement. The net value of the assets acquired under capital leases was \$9,000, net of accumulated amortization of \$6,000 at December 31, 2015.

Depreciation and amortization expense totaled \$24,004 for the year ended December 31, 2015.

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

7. Employee Benefit Plans

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. The Association's contributions for the year ended December 31, 2015, totaled \$142,797.

Postretirement health care benefits

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.

Information regarding the status of the postretirement health care plan as of and for the year ended December 31, 2015, is as follows:

Change in benefit obligation

Benefit obligation at beginning of year	\$ 465,295
Actuarial loss	9,237
Interest cost	17,141
Service cost	20,401
Plan amendments	(140,821)
Benefit paid	<u>(24,444)</u>
Benefit obligation at end of year	<u><u>\$ 346,809</u></u>

Change in plan assets

Employer contributions	\$ 24,444
Participant contributions	24,444
Benefit paid	<u>(48,888)</u>
Fair value of plan assets at end of year	<u><u>\$ -</u></u>

Funded status	\$ <u>(346,809)</u>
Accrued postretirement health care liability	<u>\$ (346,809)</u>
Accumulated postretirement benefit obligation	<u><u>\$ 346,809</u></u>

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

7. Employee Benefit Plans (continued)

The components of net periodic benefit cost consist of the following for the year ended December 31, 2015:

Interest cost	\$	17,141
Service cost		20,401
Amortization of prior service cost		689
Amortization of net loss		3,594
		41,825
Other costs		(135,867)
		\$ (94,042)

Other changes in the net postretirement benefit obligation not included in net periodic benefit cost above were \$(135,867) in 2015.

Amount recognized in unrestricted net assets but not yet recognized in net periodic benefit cost:

Net loss	\$	(2,010)
Prior service cost		12,267
		\$ 10,257

The amount expected to be amortized into net periodic benefit cost in 2016 is \$10,257. Weighted average assumptions used to determine net periodic pension cost and benefit obligations are as follows:

Discount rate for year	3.50%
Discount rate at the end year	4.25%

Estimated future benefit payments

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

Year ending December 31, 2016	\$	35,700
2017		14,425
2018		17,629
2019		20,359
2020		23,218
2021-2025		132,393

7. Employee Benefit Plans (continued)

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

Estimated employer contributions

Employer contributions to the plans are expected to be approximately \$35,700 for the year ending December 31, 2016.

The accumulated benefit obligation measurement date was December 31, 2015, for the 2015 actuarial valuation. The health care cost trend rate was assumed to be 7.1% for 2015, grading down less than 1% per year to 4.5% by 2027.

8. Net Assets

Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2015, are available for the following programs. Net assets during the year ended December 31, 2015, were released from restrictions by incurring expenses satisfying the restricted purpose.

	Balance December 31, <u>2014</u>	Additions <u>Income</u>	Released from <u>Restrictions</u>	Balance December 31, <u>2015</u>
Compadre	\$ -	\$ 958	\$ 958	\$ -
Endowment funds				
Lotze	\$ 154,349	\$ (5,153)	\$ 193	\$ 149,003
Bauder	285,262	7,758	7,430	285,590
Fuller	40,239	(596)	3,168	36,475
Lipton	-	37,681	-	37,681
Yamani	22,335	(998)	546	20,791
TPT Publications Fund	<u>6,472</u>	<u>362</u>	<u>-</u>	<u>6,834</u>
	<u>\$ 508,657</u>	<u>\$ 39,054</u>	<u>\$ 11,337</u>	<u>\$ 536,374</u>

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

8. Net Assets (continued)

Permanently Restricted Net Assets

Permanently restricted funds are invested in perpetuity. Income from the investments are expendable to support special activities in the area of physics teaching and for advancement of physics education as stipulated by the donors.

Permanently restricted net assets at December 31, 2015, consist of the following:

Bauder Endowment Fund	\$ 110,000
Lotze Endowment Fund	311,685
Fuller Endowment Fund	10,000
Yamani Endowment Fund	46,550
TPT Publication Fund	10,000
	\$ 488,235

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditures by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

8. Net Assets (continued)

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain purchasing power of the endowment assets.

The endowment net asset composition by type of fund as of December 31, 2015, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ 1,143,965	\$ -	\$ -	\$ 1,143,965
Donor-restricted endowment funds	<u>-</u>	<u>536,374</u>	<u>488,235</u>	<u>1,024,609</u>
	<u>\$ 1,143,965</u>	<u>\$ 536,374</u>	<u>\$ 488,235</u>	<u>\$ 2,168,574</u>

The changes in the endowment net assets for the year ended December 31, 2015, are as follows:

	<u>Board Designated Endowment</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,148,909	\$ 508,657	\$ 488,235	\$ 2,145,801
Amount appropriated for expenditure	(264,583)	(11,337)	-	(275,920)
Contributions	29,627	51,471	-	81,098
Other income	240,139	-	-	240,139
Investment return:				
Realized and unrealized gains	(29,148)	(31,548)	-	(60,696)
Interest and dividends	<u>19,021</u>	<u>19,131</u>	<u>-</u>	<u>38,152</u>
Endowment net assets, end of year	<u>\$ 1,143,965</u>	<u>\$ 536,374</u>	<u>\$ 488,235</u>	<u>\$ 2,168,574</u>

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

9. Related Party Transactions

In addition to participating with the Association in the ownership of ACP (See Note 2), AIP provides printing and fulfillment services for the Association's publications and processes the Association's health insurance payments. The Association also shares costs incurred by AIP for human resources management fees, society membership dues, and other miscellaneous office services. For the year ended December 31, 2015, the amount paid to AIP totaled \$642,289. At December 31, 2015, \$151,174 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, 2015, \$53,994, was included in accounts receivable for these services.

The Association also received approximately \$42,250 for the year ended December 31, 2015, 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, 2015, totaled \$33,765. The amount due from APS at December 31, 2015, totaled \$18,114. There was no amount due to APS at December 31, 2015.

10. Commitments and Contingencies

Employment agreements

The Association has negotiated employment agreements with certain employees. The agreements expire at various dates through December 2017. 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.

Government audits

The Association recognized approximately 11% of its revenue in 2015 from grants with the National Science Foundation (NSF). These grants are subject to financial and compliance audit by NSF. Management does not anticipate any significant adverse adjustments as a result of such an audit.

Capital lease

In addition to the long-term operating lease for the office space discussed in Note 2, the Association also leases certain equipment under a capital lease.

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

10. Commitments and Contingencies (continued)

Future minimum lease payments are as follows:

Year ending December 31, 2016	\$	3,485
2017		3,485
2018		4,485
Total minimum lease payments		11,455
Less: amount representing interest		(965)
Present value of minimum lease payments	\$	10,490

Hotel contracts

The Association has contracted with a hotel for space for its upcoming meetings through 2018. In the event the Association cancels or reduces its contracted room nights, the Association may be liable for cancellation fees for all rooms that the hotel will not be able to resell.

11. Fair Value Measurements

The Association records its investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, the standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

THE AMERICAN ASSOCIATION FOR PHYSICS TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2015

11. Fair Value Measurements (continued)

The fair value levels are as follows:

- Level 1: Inputs that utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Inputs that are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

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

Investments in *money market funds and mutual funds* (Note 4) are valued at the market value of shares held by the Association at year-end reported in the listing of the applicable major exchanges.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported as of the end of the reporting period. For the year ended December 31, 2015, there were no significant transfers in or out of levels 1, 2 or 3.

The following summarizes information about the fair value measurements used as of December 31, 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 364,015	\$ 364,015	\$ -	\$ -
Mutual funds	5,003,162	5,003,162	-	-
Total investments	\$ 5,367,177	\$ 5,367,177	\$ -	\$ -

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Award #	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
Research and Development Cluster					
Direct Awards					
National Science Foundation (NSF)					
Education and Human Resources					
	47.076				
Workshops for New Physics and Astronomy Faculty		DUE-0813481		\$ 3,383	\$ -
Improving Beyond First Year Physics Laboratory Instruction		DUE-1122993		98,115	-
New Faculty Experience for Two-Year College Physics Instructors		DUE-1225603		58,209	-
Wider-Online Resources and Faculty Development		DUE-1256352		10,023	-
PER User's Guide: A Web Resource for Physics Educators		DUE-1245490		29,851	-
Conference on Introductory Physics for the Life Sciences		DUE-1322895		2,424	-
Wider-Data Explorer and Assessment Resources for Faculty		DUE-1347728		182,262	-
IUPAP International Conference on Women in Physics 2014		DUE-1419453		35,029	-
Surveying the state and implications of computational physics in courses for physics majors		DUE-1432363		77,835	-
Workshops and Learning Communities for Physics and Astronomy Faculty		DUE-1431638		220,523	-
Joint Task Force on Undergraduate Physics Programs		DUE-1540574		14,177	-
Fostering integration of computational practices into physics courses		DUE-1505278		8,408	-
Mutual Mentoring to Combat Isolation in Physics		DUE-1500529		2,366	-
Integrating Computation into Undergraduate Physics - Building a Sustainable Community Through Faculty Development		DUE-1524963		11,511	-
Passed through from American Physical Society					
Mathematical and Physical Sciences					
Physics Teacher Education Coalition	47.049		PHY-0808790	31,831	-
Total Expenditures of Federal Awards				<u>\$ 785,947</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of The American Association of Physics Teachers, Inc. under programs of the federal government for the year ended December 31, 2015. The preparation of this schedule is 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). Because the Schedule presents only a selected portion of the operations of The American Association of Physics Teachers, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of The American Association of Physics Teachers, Inc.

B. 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The principal estimates and assumptions used in the preparation of the schedule relate to cost allowability and allocability (see Note D). Actual results could differ from these estimates.

C. Indirect Cost Rate

The American Association of Physics Teachers, Inc. has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

D. Federal Audits

The allowability of certain costs under government grants and contracts is subject to audit by the contracting agency. Certain indirect costs charged to grants and contracts are subject to revisions based on government audits of those costs. Management believes that contract costs are consistent with applicable government cost principles, and that costs subsequently disallowed, if any, upon audit by the government, beyond amounts already reserved by management, would not be material.

**INDEPENDENT AUDITORS' 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***

To the Board of Directors
The American Association of Physics Teachers, Inc.

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), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2016.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 Association's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item B 2015-001 that we consider to be a material weakness.

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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results 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.

A handwritten signature in cursive script that reads "Rubins & Company". The signature is written in black ink and is positioned to the right of the date and location information.

Bethesda, Maryland
September 22, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
The American Association of Physics Teachers, Inc.

Report on Compliance for the Major Federal Program

We have audited the American Association of Physics Teachers, Inc. (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended December 31, 2015. The Association's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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 (CFR) 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 the major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the American Association of Physics Teachers, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance which are described in the accompanying schedule of findings and questioned costs as items C 2015-001, C 2015-002, and C 2015-003. Our opinion on the major federal program is not modified with respect to these matters.

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 its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs 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.

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. 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.

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 and significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items C 2015-001, C 2015-002, and C 2015-003 that we consider to be material weaknesses.

The American Association of Physics Teachers, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The American Association of Physics Teachers, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the American Association of Physics Teachers, Inc. as of and for the year ended December 31, 2015, and have issued our report thereon dated November 28, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Bethesda, Maryland
September 22, 2017

A handwritten signature in black ink that reads "Rubino & Company". The signature is written in a cursive, flowing style with a large initial 'R'.

**THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

SECTION A – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major programs:

<u>Description</u>	<u>CFDA No.</u>	<u>Expenditures</u>
R&D Cluster	47.076 & 47.049	\$785,947

Dollar threshold used to distinguish between Type A and type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes No

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

SECTION B – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

B 2015-001 Timely Closing of Books

Criteria: Our experience with other nonprofit organizations indicates that the amount of time required to close an Organization's accounting year varies due to the size of the accounting and finance team and the complexity of the Organization's operations. However, the close should be performed within a reasonable period of time subsequent to year-end. For an organization with federal awards, we would not expect the closing period to exceed 60 to 75 days.

Condition: American Association of Physics Teachers Inc.'s accounting records were not closed within a reasonable period of time.

Context: During the performance of our audit we noted that the accounting records were not closed until September. In addition, during the course of our audit, several additional closing entries were required to reconcile investments and net asset balances.

Effect: Organizations that do not close their books in a timely manner subject themselves to increased risk that material misstatements due to error or fraud may occur and not be detected in a timely manner by the personnel performing their regularly assigned accounting functions.

Cause: The Executive Office appears to face significant difficulties related to the untimely submission of invoices and receipts across several of the American Association of Physics Teachers Inc.'s functions. The Executive Office indicated that those functions include departments that regularly handle contracts with vendors; co-PIs on NSF grants; and AAPT/PTRA workshop leaders. In certain instances, the Executive Office may not be aware that activities requiring payment and or reimbursement for services provided have occurred.

Accordingly, the timeliness of the year-end close is disrupted. It is our understanding that the books were closed multiple times subsequent to the commencement of our audit. However, upon receipt of additional invoices, those costs had to be recorded to the accounting records and the year-end close was performed again.

Recommendation: We recommend that the Executive Office require that all departments submit invoices on a timely basis for reimbursement. We also recommend that the Executive office require documented prior approval of budgeted expenditures and the period of performance for any event or activity expected to be reimbursed by American Association of Physics Teachers, Inc.

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

B 2015-001 Timely Closing of Books (continued)

Views of Responsible Officials and Planned Corrective Actions: The Executive Office will ask co-PIs to alert the office about upcoming events or activities that require payment to vendors, hotels, etc, and include a budget. The memo will also remind them about submitting invoices on a timely manner. Finally, both the Executive Office and AAPT/PTRA Program Director will send a memo to workshop leaders reminding them to alert both about upcoming workshops, anticipated costs, and the need to submit invoices within 30 days. The Executive Office is reviewing methods to make the processes for co-PIs and AAPT/PTRA workshop leaders more automated.

SECTION C – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESSES AND NONCOMPLIANCE

C 2015-001 Timely Closing of Books

Federal Program: R&D Cluster

Criteria: Our experience with other nonprofit organizations indicates that the amount of time required to close an Organization’s accounting year varies due to the size of the accounting and finance team and the complexity of the Organization’s operations. However, the close should be performed within a reasonable period of time subsequent to year-end. For an organization with federal awards, we would not expect the closing period to exceed 60 to 75 days.

Condition: American Association of Physics Teachers Inc.’s accounting records were not closed within a reasonable period of time.

Questioned costs: None.

Context: During the performance of our audit we noted that the accounting records were not closed until September. In addition, during the course of our audit, several additional closing entries were required to reconcile investments and net asset balances.

Effect: Organizations that do not close their books in a timely manner subject themselves to increased risk that material misstatements due to error or fraud may occur and not be detected in a timely manner by the personnel performing their regularly assigned accounting functions.

Cause: The Executive Office appears to face significant difficulties related to the untimely submission of invoices and receipts across several of the American Association of Physics Teachers Inc.’s functions. The Executive Office indicated that those functions include departments that regularly handle contracts with vendors; co-PIs on National Science Foundation (NSF) grants; and AAPT/PTRA workshop leaders. In certain instances, the Executive Office may not be aware that activities requiring payment and or reimbursement for services provided have occurred.

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

C 2015-001 Timely Closing of Books (continued)

Accordingly, the timeliness of the year-end close is disrupted. It is our understanding that the books were closed multiple times subsequent to the commencement of our audit. However, upon receipt of additional invoices, those costs had to be recorded to the accounting records and the year-end close was performed again.

Recommendation: We recommend that the Executive Office require that all departments submit invoices on a timely basis for reimbursement. We also recommend that the Executive office require documented prior approval of budgeted expenditures and the period of performance for any event or activity expected to be reimbursed by American Association of Physics Teachers, Inc.

Views of Responsible Officials and Planned Corrective Actions: The Executive Office will ask co-PIs to alert the office about upcoming events or activities that require payment to vendors, hotels, etc, and include a budget. The memo will also remind them about submitting invoices on a timely manner. Finally, both the Executive Office and AAPT/PTRA Program Director will send a memo to workshop leaders reminding them to alert both about upcoming workshops, anticipated costs, and the need to submit invoices within 30 days. The Executive Office is reviewing methods to make the processes for co-PIs and AAPT/PTRA workshop leaders more automated.

The plan will be implemented immediately and the memo will be sent on a yearly basis at the beginning of each fiscal year.

C 2015-002 Schedule of Expenditure of Federal Awards and Program Income

Federal Program: R&D Cluster

Criteria: According to the Uniform Guidance §200.508, the auditee must prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements. According to the National Science Foundation (NSF) policy, unless otherwise specified in the grant, program income received or accruing to the grantee during the period of the grant is to be retained by the grantee, added to the funds committed to the project by NSF, and thus used to further project objectives. Program Income earned during the project period should be expended prior to requesting reimbursement against the award. On an annual basis, awardee institutions will be required to submit a Program Income Reporting Worksheet to NSF in order to report program income earned/expended for any of their awards during the previous twelve months or to validate that they did not earn/expend program income for any of their awards during the applicable period.

Condition: The Schedule of Expenditures of Federal Awards prepared for the year ended December 31, 2015 was inaccurate because it was not prepared in accordance with Uniform Guidance §200.502 *Basis for determining Federal awards expended*, and program income reported during 2015 was not prepared in accordance with the NSF policy.

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

C 2015-002 Schedule of Expenditure of Federal Awards and Program Income (continued)

Cause: The grantee omitted the use of program income and federal grants received from a pass-through entity from the Schedule of Expenditures of Federal Awards, which incorrectly reported total federal expenditures lower than the \$750,000 Single Audit threshold.

Effect: The grantee's Single Audit was not timely completed and submitted and the grantee submitted an inaccurate program income reports.

Questioned Cost: None.

Recommendation: We recommend that finance personnel receive training regarding grant compliance requirements including preparation of Schedule of Expenditures of Federal Awards and program income reporting.

Views of Responsible Officials and Planned Corrective Actions:

A review of Uniform Guidance §200.502 *Basis for determining Federal awards expended* will be completed by Michael Brosnan, CFO, by September 30, 2017.

The finance personnel to include the CFO and the senior accountant will receive training for grant compliance requirements and grant management. The training will be provided through workshops, webinars, NSF provided education and reviewing the current government grant guidelines. The training will be completed by December 31, 2017.

The association will look into retaining an outside consultant who will provide a source of accurate and timely information related to current and future grant regulations, policies and procedures.

C 2015-003 Single Audit Report Submission

Federal Program: R&D Cluster

Criteria: According to the Uniform Guidance §200.512, the audit must be completed and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Condition: The Single Audit for the year ended December 31, 2015, was not completed and submitted within the required timeframe.

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

C 2015-003 Single Audit Report Submission (continued)

Cause: As indicated in item C 2015-001, the grantee's Single Audit was not performed timely because the Schedule of Expenditures of Federal Awards was inaccurate.

Effect: The grantee's Single Audit was not completed and submitted in a timely manner. Failure to accurately report program income earned/expended could also result suspension of future award payments.

Questioned Cost: None.

Recommendation: We recommend that finance personnel receive training regarding grant compliance requirements including preparation of the Schedule of Expenditures of Federal Awards, and the Single Audit reporting deadlines.

Views of Responsible Officials and Planned Corrective Actions:

Michael Brosnan, CFO, will review the Uniform Guidance 200.512 *Report Submission* for retaining regarding Single Audit reporting deadlines. The review will complete by September 30, 2017.

The Association will look into retaining an outside consultant who will provide a source of accurate and timely information related to current and future grant regulations, policies and procedures.

THE AMERICAN ASSOCIATION OF PHYSICS TEACHERS, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2015

The schedule is not applicable as there were no prior year findings.