

AACP REPORTS

Independent Auditor's Report

Daniel J. Cassidy MBA

Chief Operating Officer, American Association of Colleges of Pharmacy

The 2011 financial audit report (Appendix 1) with comparative figures for 2010 was submitted to AACP by its independent auditor Edward F. Angevine, CPA.

AMERICAN ASSOCIATION OF COLLEGES
OF PHARMACY, INC.
FINANCIAL STATEMENTS

JUNE 30, 2011

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AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Unrestricted Revenues, Expenses and Other Changes in Unrestricted Net Assets	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities	6
Notes to Financial Statements	7-13

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MEMBER
GREATER WASHINGTON SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
American Association of Colleges
of Pharmacy, Inc.


Members of the Board of Directors:

I have audited the accompanying statements of financial position of the American Association of Colleges of Pharmacy, Inc. as of June 30, 2011 and 2010, and the related statements of unrestricted revenues, expenses and other changes in unrestricted net assets, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Association of Colleges of Pharmacy, Inc. as of June 30, 2011 and 2010, and the results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

September 30, 2011


Edward F. Angevine
Certified Public Accountant

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
 Statements of Financial Position
 June 30

	2011	2010
Cash and cash equivalents	2 200 028	2 331 510
Accounts receivable	229 894	280 474
Long-term investments(at FMV) (Note 2)	4 616 414	3 406 621
Endowment funds (at FMV) (Note 2)	243 623	204 028
Prepaid expenses	615 651	404 304
Furniture, equipment and software (net of accumulated depreciation 2011 - 1,517,673; 2010 - 1,382,060) (Note 1)	522 543	468 968
Building and improvements (net of accumulated depreciation 2011 – 139,027; 2010 – 104,989) (Note 1)	278 472	312 510
Land	12 000	12 000
ASSETS	8 718 625	7 420 415
Accounts payable (Note 8)	578 119	443 525
Dues received in advance (Note 1)	1 618 075	1 261 090
Advance registration and exhibitor fees (Note 1)	1 480 892	1 328 610
Note payable (Notes 11)	85 210	95 306
Liabilities	3 762 296	3 128 531
Unrestricted net assets (Note 1)	4 616 255	3 622 914
Temporarily restricted net assets (Note 1&3)	79 000	410 016
Permanently restricted net assets (Note 1&5)	261 074	258 954
Net Assets	4 956 329	4 291 884
LIABILITIES AND NET ASSETS	8 718 625	7 420 415

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
 Statements of Unrestricted Revenues, Expenses and
 Other Changes in Unrestricted Net Assets
 Year Ending June 30

	2011	2010
Unrestricted Revenues and Gains		
Membership dues	2 846 345	2 712 235
Grants and contracts	35 000	196 724
Meeting registration, fees and grants	1 623 415	1 850 969
Pharmacas application fees	6 047 983	5 417 216
Sales and royalties	722 483	731 904
Interest - operating accounts	7 467	11 351
Other Income	140 919	64 673
	11 423 612	10 985 072
Net assets released from restrictions (Note 4)	410 016	65 000
Total Unrestricted Revenues and Gains	11 833 628	11 050 072
Expenses		
Program services		
Individual member services	754 852	615 287
Meetings - annual, interim and institute	1 775 099	1 985 572
Pharmacas program expenses	4 476 793	4 023 421
Other programs (Note 4)	1 820 114	1 235 446
	8 826 858	7 859 726
Support services		
Office administration	2 639 611	2 683 339
Total Expenses	11 466 469	10 543 065
Increase (Decrease) in Unrestricted Net Assets from Operations	367 159	507 007
Other Changes		
Investment interest, dividends, gains and losses (Note 2)	626 182	305 541
Total Other Changes	626 182	305 541
Increase (Decrease) in Unrestricted Net Assets	993 341	812 548

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
 Statements of Changes in Net Assets
 Year Ending June 30

	2011	2010
Increase (Decrease) in Unrestricted Net Assets	993 341	812 548
Temporarily Restricted Net Assets		
Grant revenues	79 000	410 016
Net assets released from restrictions (Note 4)	(410 016)	(65 000)
Increase (Decrease) in Temporarily Restricted Net Assets	(331 016)	345 016
Permanently Restricted Net Assets		
Endowment fund contributions	2 120	3 875
Increase in Permanently Restricted Net Assets	2 120	3 875
Increase (Decrease) in Net Assets	664 445	1 161 439
Net Assets at Beginning of Year	4 291 884	3 130 445
Net Assets at End of Year	4 956 329	4 291 884

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
 Statements of Cash Flows
 Year Ending June 30

	2011	2010
Cash Flows From Operating Activities		
Cash received from service recipients	11 836 922	11 080 989
Cash received from grants and contracts	79 270	706 740
Interest and dividend income	118 827	105 569
Other receipts	140 919	64 673
Cash paid for employees and suppliers	(11 093 578)	(10 337 205)
Grants paid	(274 549)	(109 713)
Interest paid	(5 444)	(6 030)
Net Cash Provided by Operating Activities	802 367	1 505 023
Cash Flows from Investing Activities		
Purchase of fixed assets	(189 188)	(63 731)
Gross proceeds from sale of securities and other investments	3 059 180	209 166
Net cash invested in securities and other investments	(3 793 745)	(880 634)
Net Cash Used in Investing Activities	(923 753)	(735 199)
Cash Flows from Financing Activities		
Note principal payments	(10 096)	(9 509)
Net Cash Used in Financing Activities	(10 096)	(9 509)
Net Change in Cash and Cash Equivalents	(131 482)	760 315
Cash and Cash Equivalents at Beginning of Year	2 331 510	1 571 195
Cash and Cash Equivalents at End of Year	2 200 028	2 331 510

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
Reconciliation of Change in Net Assets to Net Cash
Provided by Operating Activities
Year Ending June 30

	2011	2010
Change in Net Assets	664 445	1 161 439
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	169 651	167 636
(Gain) Loss on investments	(514 823)	(212 323)
(Increase) decrease in accounts receivable	50 580	457 015
(Increase) decrease in other assets	(211 347)	(192 354)
Increase (decrease) in accounts payable	134 594	114 835
Increase (decrease) in dues in advance	356 985	169 090
Increase (decrease) in registration and exhibitor fees in advance	152 282	(160 315)
Total Adjustments	137 922	343 584
Net Cash Provided by Operating Activities	802 367	1 505 023

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
Notes to Financial Statements
Year Ending June 30, 2011

Note 1
Significant Accounting Policies

This summary of significant accounting policies of the American Association of Colleges of Pharmacy, Inc. is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The American Association of Colleges of Pharmacy, Inc. is the national organization representing the interests of pharmacy education in the United States. The Association's membership is comprised of all the pharmacy colleges with professional programs accredited by the American Council on Pharmaceutical Education, and approximately 3,000 faculty and deans and other individuals interested in pharmaceutical education. The mission of the Association is to promote the advancement of pharmaceutical education, research, patient care and public service.

The Association is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Revenue Recognition

Dues from institutional members and advance registration fees for the annual meeting are recognized during the period applicable. If dues or registration fees are paid in advance, the recognition of the revenues is deferred.

Dues from individuals paying for one year are treated as revenues when received.

Accounts receivable reflect current amounts due and, in the opinion of management, are considered fully collectible. The Association employs the direct charge method for uncollectible accounts; thus no provision for uncollectible accounts has been made.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
Notes to Financial Statements
Year Ending June 30, 2011

Note 1
Significant Accounting Policies (Continued)

Basis of Presentation

Temporarily Restricted Net Assets

The Association reports grants as restricted support if they are received with grantor stipulations that limit the use of the donated assets. When a grant 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. The Association shows restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Permanently Restricted Net Assets

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Buildings, Furniture, Equipment and Software

Fixed assets are carried at cost. Depreciation is provided using the straight-line method over the estimated useful lives of 10-40 years for buildings and improvements, 10 years for leasehold improvements, 5-10 years for furniture and equipment and 3-5 years for computer software. Depreciation expense of \$169,651 has been recorded for the year ending June 30, 2011 and \$167,636 for the year ending June 30, 2010.

Expenditures for major renewals and betterments that extend the useful lives of buildings and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all currency on hand, demand deposits with banks and certificates of deposit to be cash equivalents.

The Association classifies money market accounts held in the Association's brokerage accounts as a part of long-term investments. These funds are not considered cash equivalents.

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
Notes to Financial Statements
Year Ending June 30, 2011

Note 2
Investment Securities

Investments are stated at fair value and consist primarily of equity securities, corporate bonds, U.S. Treasury notes and money market funds, as follows:

	Cost 2011	Fair Value 2011	Fair Value 2010
Long-term investments:			
Equity securities	2 404 908	2 574 999	1 733 799
Fixed Income Bonds and Notes	1 907 055	1 924 540	1 599 536
Money market funds	116 875	116,875	73 286
Subtotal	4 428 838	4 616 414	3 406 621
Endowment funds:			
Equity securities	134 218	159 140	126 946
Fixed Income Funds	81 890	81 593	73 510
Money market funds	2 890	2 890	3 572
Subtotal	218 998	243 623	204 028
Total	4 647 836	4 860 037	3 610 649

Long-term investments represent board designated amounts set aside as long-term investments.

Endowment funds are investment accounts started using contributions permanently restricted by the donor. The investment income and gains on these accounts are unrestricted investment income.

Interest, dividends, gains and losses from these investment accounts have been classified as other changes in unrestricted net assets.

Investment return is summarized as follows:

	2011	2010
Interest and dividend income – investments	111 359	93 218
Interest income - operating accounts	7 467	11 351
Net gains (losses) on investments	514 823	212 323
Total unrestricted investment income	633 649	316 892

Management fees were \$27,478 for the year ended June 30, 2011 and \$19,067 for the year ended June 30, 2010.

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
Notes to Financial Statements
Year Ending June 30, 2011

Note 3
Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2011	2010
Sanofi-Aventis educational grant	0	345 016
Grace & Harold Sewell Memorial Fund stipend grant	12 000	0
Wal-Mart annual conference scholarship program	67 000	65 000
Total Temporarily Restricted Net Assets	79 000	410 016

Note 4
Net Assets Released from Restrictions

Net assets were released from grantor restrictions by incurring expenses satisfying the restricted purposes. The Wal-Mart annual conference scholarship program grant of \$65,000 was released from restriction for the year ended June 30, 2011 and \$65,000 was released from restriction for the year ended June 30, 2010. The Sanofi-Aventis educational grant of \$345,016 was released from restriction for the year ended June 30, 2011. The Association returned \$103,221 of the unexpended Sanofi-Aventis grant funds to the grantor. These funds are recorded on page 3 as a part of the other programs expense on the statement of unrestricted revenues, expenses and other changes in unrestricted net assets.

Note 5
Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes:

	2011	2010
Paul R. Dawson biotechnology award endowment fund	200 000	200 000
Donald C. Brodie scholar-in-residence endowment fund	17 948	17 948
AACP endowment fund	43 126	41 006
Total Permanently Restricted Net Assets	261 074	258 954

The Paul R. Dawson biotechnology award endowment fund is a permanently restricted net asset to endow the Paul R. Dawson biotechnology award. This award of \$10,000 has been awarded annually beginning in July 1999. The Donald C. Brodie scholar-in-residence endowment fund has been established to fund the scholar-in-residence program in future years. The AACP endowment fund earnings support programs in faculty development, leadership development, and research and development. This endowment fund has received \$2,120 of contributions during the year ended June 30, 2011 and \$3,875 of contributions during the year ended June 30, 2010. Endowment fund earnings are recorded as unrestricted net assets.

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
Notes to Financial Statements
Year Ending June 30, 2011

Note 6
Significant Concentration of Credit Risk

The Association held funds in demand deposit accounts which exceeded the federally guaranteed amount by \$1,977,743 at June 30, 2011 and \$2,088,992 at June 30, 2010.

Note 7
Pension Plan

The Association participates in the Principal Financial Group and TIAA-CREF retirement plans. The Association has contributed to the plan 11% of salaries for all eligible employees. All employees begin participation in this plan on the second anniversary of their employment. Voluntary contributions by the Association's employees, no greater than individual plus employer contributions allowed by law, may be made to the plan as soon as an employee begins employment. Pension expense for the years ended June 30, 2011 and June 30, 2010 was \$187,471 and \$175,670, respectively.

Starting January 1, 2004 the Association has adopted a section 457(b) deferred compensation plan to provide additional deferred compensation opportunities for employees through voluntary salary reduction contributions by the Association's employees.

Note 8
Accrued Vacation and Sick Pay

The Association's policy on employee leave is to give each employee a fixed number of days per month for compensated absences for sickness, vacation or personal reasons. In accordance with this policy an employee may accumulate and carry over to future years up to thirty days of leave adjusted on a calendar year basis. The Association has recorded adjustments to office administration expenses in the statement of activities to recognize the change in compensated absences for which the right to receive compensation for future absences has been earned and vested by the employees at the balance sheet dates. The adjustment was an increase of \$6,636 for the year ended June 30, 2011 and a decrease of \$49,734 for the year ended June 30, 2010. The liability for accrued vacation and sick pay at June 30, 2011 and June 30, 2010 is \$144,716 and \$138,080 respectively. These amounts are included in the Association's total accounts payable.

Note 9
Lease Obligation

On October 17, 2007, the Association entered into a prime lease with the NAPS Property, Inc. (Owner) for 11,664 square feet of office space in an office building located in Alexandria, VA. The initial term of the lease is for 10 years with an option to extend the term another 5 years. This lease calls for a base rent of \$31,184 per month with an annual 3% escalation plus a proportional share of increased operating expenses and real estate taxes for the building over the base year 2007. The Association has given the Owner a letter of credit in the amount of \$29,889 as a security deposit for the lease.

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
Notes to Financial Statements
Year Ending June 30, 2011

Note 9
Lease Obligation (Continued)

The Association took occupancy of the office space in March of 2008. The Association has paid \$406,422 under the terms of this lease for the year ended June 30, 2011 and \$385,366 for the year ended June 30, 2010. The total additional base rent due over the term of this lease is \$2,976,088.

The yearly minimum rental obligation under the terms of this lease is as follows:

Year Ended	Amount
6/30/12	411 377
6/30/13	423 274
6/30/14	435 521
6/30/15	448 118
6/30/16	461 065
Total	2 179 355

Note 10
Note Payable

The Owner has paid for the construction of a new office build out and has financed the cost of this build out over the initial term of the Association's lease. The Association is obligated to pay the Owner \$116,640. This obligation bears interest at an annual rate of 6.00% and is payable in monthly payments of principal and interest of \$1,294.94. The balance of this note is \$85,210 at June 30, 2011 and \$95,306 at June 30, 2010.

Maturities of long-term debt are as follows:

Year Ended	Amount
6/30/12	10 718
6/30/13	11 379
6/30/14	12 081
6/30/15	12 826
6/30/16	13 617
Total	60 621

SEE INDEPENDENT AUDITOR'S REPORT

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
Notes to Financial Statements
Year Ending June 30, 2011

Note 11
Sublease Revenue

On October 17, 2007, the Association entered into a sublease with Gromfine & Taylor, PC for 2,697 square feet of their leased office space located in Alexandria, VA. The term of this lease is for 5 years commencing on the date the Association tendered possession of the premises to the subtenant. The tenant took occupancy on March 15, 2008. This lease calls for a base rent of \$6,967 per month with an annual 4% escalation.

The Association has received \$92,499 of rental income for the year ended June 30, 2011 and \$84,443 for the year ended June 30, 2010. The total additional base rent due over the term of this lease is \$168,327.

Note 12
Pharmacy College Application Service (PharmCAS)

The Association entered into agreements with Liaison International, Inc. (Liaison) and its parent company Academic Management Systems, Inc. (AMS) to establish a centralized application service identified as the Pharmacy College Application Service (PharmCAS) for applicants to professional degree programs at pharmacy colleges. This agreement was dated May 28, 2002 and was for a term of nine years. An addendum to this agreement has been signed on May 18, 2011 by the Association, Liaison International, LLC (Liaison) and Academic Software Plus, LLC (ASP) for an additional term of seven years that will automatically renew for successive one year terms. Under the terms of this addendum the Association will receive 33% of net application fee revenue in lieu of paying Liaison at a per application rate for operating expenses incurred and a yearly license fee.

The Association pays Liaison a yearly license fee. The fee was \$781,028 for the year ended June 30, 2011 and \$750,992 for the year ended June 30, 2010.

The Association reimburses Liaison at a per application rate for operating expenses incurred. The costs were \$2,687,550 for the year ended June 30, 2011 and \$2,767,507 for the year ended June 30, 2010.

The Association pays AMS an annual license fee for each institution which participates in the Pharmacy Admissions and Information Tools (PharmAdmit) program. The fees for the year ended June 30, 2011 were \$312,000 and \$276,900 for the year ended June 30, 2010.

In addition the Association has paid \$536,884 for applicant background checks for the year ended June 30, 2011 and \$75,409 for June 30, 2010.

Note 13
Evaluation of Subsequent Events

The Association has evaluated subsequent events through September 30, 2011 the financial statement issuance date.

SEE INDEPENDENT AUDITOR'S REPORT