

Report of the Independent Auditor

John W. Coughlin

Certified Public Accountant, 3408 Wisconsin Avenue, NW, Suite 200, Washington DC 20016

November 8, 1995

Board of Directors
American Association of Colleges of Pharmacy, Inc.
1426 Prince Street
Alexandria, VA 22314

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, 1995 and 1994, 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 generally accepted auditing standards. 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, 1995 and 1994, and the results of its activities and cash flows for the years then ended in conformity with generally accepted accounting principles.

Sincerely,
John W. Coughlin

Statements of Financial Position as of June 30

	1995	1994
Assets		
Cash	\$456,974	\$496,707
Accounts receivable	21,691	17,618
Long-term investments (at cost) (Note 8)	560,635	545,619
Prepaid expenses	36,688	66,868
Furniture and fixtures (net of accumulated depreciation 1995- 112,026; 1994-126,974) (Note 1)	127,476	89,522
Building and improvements (net of accumulated depreciation 1995-167,625; 1994-145,378) (Note 1)	691,192	711,967
Land	172,000	172,000
Total Assets	2,066,656	2,100,301
Liabilities		
Accounts payable (Note 6)	89,835	78,573
Dues received in advance (Note 1)	504,015	560,076
Advance registration and exhibitor fees (Note 1)	272,330	229,143
Mortgage payable—First VA Bank (Note 5)	571,779	585,924
Total Liabilities	1,437,959	1,453,716
Unrestricted net assets		
Undesignated net assets	301,747	344,935
Designated net assets (Note 1)	180,000	100,000
Temporarily restricted net assets (Note 1&3)	146,950	201,650
Net Assets	628,697	646,585
Liabilities and Net Assets	\$2,066,656	\$2,100,301

Statement of Unrestricted Revenues, Expenses and Other Changes in Unrestricted Net Assets Year Ending June 30

	1995	1994
Undesignated Revenues and Gains		
Membership dues	\$1,440,816	\$1,413,077
Grants and contracts	711,750	755,609
Meeting registration, fees and grant	350,836	313,753
Management programs grants and fees	183,281	137,200
Sales and royalties	187,160	168,687
Interest, dividends and realized gains	45,003	73,572
Other income	2,329	7,286
Total Undesignated Revenues and Gains	2,921,175	2,869,184
Net assets released from restrictions (Note 4)	201,650	277,605
Total Undesignated Revenues and Gains	3,122,825	3,146,789
Expenses		
Program services		
Individual member services	291,702	315,710
Meetings—annual and interim	438,976	385,452
Management programs	209,700	136,604
Grants awards for pharmacy schools	391,711	409,433
Other programs	672,866	804,028
Subtotal	2,004,955	2,051,227
Support services		
Program administration	770,604	724,033
Administration overhead	390,454	335,259
Subtotal	1,161,058	1,059,292
Total Undesignated Expenses	3,166,013	3,110,519
Increase (Decrease) in Undesignated Net Assets	(43,188)	36,270
Designated Net Assets		
Grants designated to future periods (Note 1)	80,000	75,000
Grant removed from designation	(12,500)	
Increase (Decrease) in Designated Net Assets	80,000	62,500
Increase (Decrease) in Unrestricted Net Assets	\$36,812	\$98,770

Statement of Changes in Net Assets Year Ending June 30

	1995	1994
Unrestricted Net Assets		
Undesignated Net Assets		
Total undesignated revenues and gains	\$2,921,175	\$2,869,184
Net assets released from restrictions (Note 4)	201,650	277,605
Total undesignated expenses	(3,166,013)	(3,110,519)
Increase (Decrease) in Undesignated Net Assets	(43,188)	36,270
Increase (Decrease) in Designate Net Assets (Note 1)	80,000	62,500
Increase (Decrease) in Unrestricted Net Assets	36,812	98,770
Temporarily Restricted Net Assets		
Grant revenues	146,950	201,650
Net assets released from restrictions (Note 4)	(201,650)	(277,605)
Increase (Decrease) in Temporary Restricted Net Assets	(54,700)	(75,955)
Increase (Decrease) in Net Assets	(17,888)	22,815
Net Assets at Beginning of Year	646,585	623,770
Net Assets at End of Year	\$628,697	\$646,585

Statement of Cash Flows Year Ending June 30

	1995	1994
Cash Flows From Operating Activities		
Cash received from service recipients	\$1,930,55	\$2,090,408
Cash received from grants and contracts	1,153,288	1,209,859
Interest and dividend income	38,036	31,606
Other receipts	5,691	7,286
Cash paid for employees and suppliers	(2,260,813)	(2,140,484)
Grants paid	(751,952)	(852,292)
Interest paid	(58,842)	(47,970)
Net Cash Provided by Operating Activities	55,966	298,413
Cash Flows from Investing Activities		
Purchase of fixed assets	(73,505)	(144,254)
Gross proceeds from sale of securities and other investments	220,999	309,773
Net cash invested in securities and other investment	(229,048)	(314,201)
Net Cash Used in Investing Activities	(81,554)	(148,682)
Cash Flows from Financing Activities		
Mortgage principal payments	(14,145)	(15,789)
Net Cash Used in Financing Activities	(14,145)	(15,789)
Net Change in Cash and Cash Equivalent	(39,733)	133,942
Cash and Cash Equivalents at Beginning of Year	496,707	362,765
Cash and Cash Equivalents at End of Year	\$ 456,974	\$ 496,707

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities Year Ending June 30

	1995	1994
Change in Net Assets	(\$17,888)	\$22,815*
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	52,964	57,944
Disposal of fixed assets	3,362	11,198
Gain on sale of investments	(6,967)	(42,624)
(Increase) decrease in accounts receivable	(4,073)	21,957
(Increase) decrease in other assets	30,180	21,741
Increase (decrease) in accounts payable	11,262	(21,110)
Increase (decrease) in dues in advance	(56,061)	169,776
Increase (decrease) in registration and exhibitor fees in advance	43,187	56,716
Total Adjustments	73,854	275,598
Net Cash Provided by Operating Activities	\$ 55,966	\$ 298,413

AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY, INC.
Notes to Financial Statements
Year Ending June 30, 1995

Note 1. Significant Accounting Policies

The American Association of Colleges of Pharmacy, Inc. is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Following is a summary of the significant accounting policies:

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 are recognized as received and no portion of 1995 dues is allocated to future periods. Starting with 1987 the Association has given its individual members the option of prepaying their dues for future years. For these dues paid in advance the recognition of the revenues is deferred.

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 unrestricted revenues, expenses and other changes in unrestricted net assets and the statement of changes in net assets as net assets released from restrictions. The Association shows restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

The Association designates certain unrestricted net assets received from funding sources as grant revenues for future programs. These net assets are shown as designated net assets on the financial statements. The balance of these net assets at June 30, 1995 and June 30, 1994 is \$180,000 and \$100,000, respectively. The balance at June 30, 1995 is designated for the CAPE program, for final expenses of the Grants Awards for Pharmacy Students program and for the start of the Kinnard service project. The balance at June 30, 1994 was designated for the CAPE program for future periods.

Fixed assets are capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful lives of 10-

40 years for buildings and improvements, and 5-10 years for furniture and equipment. Depreciation expense of \$52,964 has been recorded for the year ending June 30, 1995 and \$57,944 for the year ending June 30, 1994.

Note 2. Significant Concentration of Off-Balance Sheet Risk

The Association held funds in demand deposit accounts which exceeded the federally guaranteed amount by \$161,574 at June 30, 1995.

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	1995	1994
Annual meeting program grants	\$ 84,700	\$135,900
RPP program grants	31,750	27,250
University of Utah grants	6,000	6,000
Geriatric PD grants		32,500
Other program grants	24,500	
Total Temporarily Restricted Net Assets	\$146,950	\$201,650

Note 4. Net Assets Released from Restrictions

Net assets released from grantor restrictions by incurring expenses satisfying the restricted purposes

	1995	1994
Annual meeting program grants	\$135,900	\$103,300
Scope of practice program grants		69,556
RPP program grants	27,250	38,500
University of Utah grants	6,000	5,000
Geriatric PD grants	32,500	2,500
Other program grants		58,749
Total Net Assets Released from Restricted Purposes	\$201,650	\$277,605

Note 5. Mortgage Note Payable

In connection with the acquisition of the Association's office facilities, the Association has entered into an agreement dated December 23, 1985 with the Industrial Development Authority of the City of Alexandria and the First Virginia Bank whereby the Authority has issued an Industrial Development Bond of \$672,350 to the First Virginia Bank, the bondholder. The bond is secured by a first deed of trust on the land and improvements. The Association became obligated to repay the bond to the First Virginia Bank commencing on January 1, 1987 in 300 monthly installment payments of principal and interest. The bond currently bears interest at 85% of the prime rate charged by the First Virginia Bank, with a floor on the rate charged the Association of 7% and a ceiling of 13%. This Bond may be called by the bondholder for redemption on the tenth (10th), fifteenth (15th) and twentieth (20th) anniversaries of the closing date of the bond. The balance of this mortgage at June 30, 1995 and June 30, 1994 is \$571,779 and \$585,924, respectively.

Note 6. 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. The Association has recorded adjustments to administration overhead 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 a decrease of \$4,098 for the year ended June 30, 1995 and a decrease of \$5,643 for the year ended June 30, 1994. The liability for accrued vacation and sick pay at June 30, 1995 and June 30, 1994 is \$65,157 and \$69,254, respectively.

Note 7. Pension Plan

The Association participates in the TIAA-CREF retirement plan. 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, 1995 and June 30, 1994 was \$77,521 and \$64,030, respectively.

Note 8. Financial Instruments

The long-term investments consist of marketable equity securities, government bonds and money market funds. These investments have a market value of \$660,620 and \$577,720 at June 30, 1995 and June 30, 1994, respectively. They are carried on the balance sheet at their cost of \$560,635 and \$545,619, respectively.

Independent Auditor's Report on Additional Information

November 8, 1995

Board of Directors

American Association of Colleges of Pharmacy, Inc.

1426 Prince Street
Alexandria, VA 22314

Members of the Board of Directors:

My report on my audit of the basic financial statements of the American Association of Colleges of Pharmacy, Inc. for June 30, 1995

appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of revenues and expenses by program, summary of revenues and expenses by department and comparison of changes in undesignated net assets to budget are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, I express no opinion on it.

Comparison of Changes in Undesignated Net Assets to Budget ending June 30, 1995

The Association calculates revenues and expenses for budget purposes including only undesignated, unrestricted revenues and excluding certain expense items. Budgeted expenses are paid from operating revenues while other expenses are paid from reserves. The revenues and expenses as reclassified in conformity with the budget for the year ending June 30, 1995 were as follows:

	Actual	Budget
Items Contemplated in Budget		
Total Undesignated Revenues	\$3,122,82	\$3,018,025
Total Expenses	3,117,147	3,017,800
Excess Revenues	5,678	225
Items Budgeted from Reserves		
Building depreciation	22,764	23,000
Furniture and fixture depreciation	30,200	34,500
Total Items Budgeted from Reserves	52,964	57,500
Excess Revenues (Expenses)	(47,286)	(57,275)
Items Not Contemplated in Budget		
Accrued vacation and sick pay increase (decrease) in expense	(4,098)	
Total Items Not Contemplated in Budget	(4,098)	
Increase (Decrease) in Undesignated Net Assets	(\$43,188)	(\$57,275)

Summary of Revenues and Expenses by Department Year Ending June 30, 1995

	Total revenues	Salary/Fringe expenses	All other expenses	Total expenses	Excess revenues or (Expenses)
General	\$80,687	\$428,586	\$197,312	\$625,898	(\$545,211)
BOD	0	28,523	43,299	71,822	(71,822)
Legislative	0	37,213	5,529	42,742	(42,742)
Membership	1,260,372	15,534	4,121	19,655	1,240,717
Elections	0	2,196	2,595	4,791	(4,791)
Roster	19,415	7,590	9,591	17,181	2,234
Surveys	21,815	58,691	9,788	68,479	(46,664)
Overhead-Bldg.	0	104,167	237,422	341,589	(341,589)
Sect./SIGS/F.G.	0	7,363	5,112	12,475	(12,475)
Committees	0	11,272	12,375	23,647	(23,647)
COD	27,380	11,205	24,887	36,092	(8,712)
COF	22,725	13,544	30,686	44,230	(21,505)
Coordinating Comm	0	0	364	364	(364)
SIG Mtg Exp	0	0	3,370	3,370	(3,370)
Annual Meeting	436,631	79,390	278,899	358,289	78,342
Student Affrs.	121,272	20,484	22,070	42,554	78,718
AJPE	122,753	4,588	79,522	84,110	38,643
AACP News	86,200	11,419	70,427	81,846	4,354
GAPS	380,000	7,646	384,065	391,711	(11,711)
CRC	16,375	265	4,896	5,161	11,214
Pharmline	15,519	6,968	8,551	15,519	0
Res. Prt. Prg.	84,500	16,377	78,210	94,587	(10,087)
Mgt. Prg. AMS	183,281	22,178	187,522	209,700	(26,419)
Scope of Practice	0	645	732	1,377	(1,377)
International	5,000	51,393	35,344	86,737	(81,737)

Summary of Revenues and Expenses by Department Year Ending June 30, 1995

	Total revenues	Salary/Fringe expenses	All other expenses	Total expenses	Excess revenues or (Expenses)
Univ. Utah Pgm.	6,000	1,080	6,555	7,635	(1,635)
Manpower	0	4,191	2,251	6,442	(6,442)
Scholar in Res.	0	764	6,437	7,201	(7,201)
Geriatric	47,500	2,480	35,223	37,703	9,797
CAPE	400	16,444	15,726	32,170	(31,770)
New Investigators	185,000	15,868	176,470	192,338	(7,338)
Site Visits	0	37,913	14,465	52,378	(52,378)
Visitng Fac. Prg.	0	3,162	183	3,345	(3,345)
Graduate Ed.	0	30,824	10,136	40,960	(40,960)
Research & Sch.	0	39,416	1,303	40,719	(40,719)
Phrm. Tech. Educ.	0	1,471	740	2,211	(2,211)
Sect. Mtg. Exp	0	0	10,119	10,119	(10,119)
TOTAL	\$3,122,825	\$1,100,850	\$2,016,297	\$3,117,147	\$5,678

Figures do not include asset depreciation or accrued vacation/sick pay.

Schedule of Revenues and Expenses by Program Year Ending June 30, 1995

	GAPS grants	Mngmnt programs	Meetings Ann/Inter	New Invest.	RPP Program	Other Programs	Mmbrshp. and other	Total programs
Grants and contracts	\$ 380,000			\$ 85,000	\$ 84,500	\$ 128,000		\$ 777,500
Meeting grants		\$170,481	\$181,638					352,119
Registration fees		12,800	286,548					299,348
Exhibitor fees			18,550					18,550
Membership dues							1 440 816	1,440,816
Other revenues							234 492	234,492
Total Revenues	380,000	183,281	486,736	185,000	84,500	128,000	1,675 308	3,122,825
Program salaries	7,646	22,178	104,140	15,868	16,377	221,327		387,536
Meeting expenses		103,785	229,233			363		333,381
Grants and awards	377,669	56,775	27,063	168,526	70,789	51,730		752,552
Other program expenses	6,396	26,962	78,540	7,944	7,421	112,521		239,784
Individual member service salaries							116 844	116,844
Individual member service	174,858	174,858						
Support salaries							596,470	596,470
Support services							515,722	515,722
Total Expenses	391,711	209,700	438,976	192,338	94,587	385,941	1,403 894	3,117,147
Excess Revenues (Expenses)	(\$11,711)	(\$26,419)	\$47,760	(\$7,338)	(\$10,087)	(\$257,941)	\$271,414	\$ 5,678

Figures do not include asset depreciation or accrued vacation/sick pay.