



American Physical Society

**Financial Statements,
Schedule of Expenditures of Federal
Awards, and Independent Auditor's
Reports Required by *Government Auditing
Standards* and the Uniform Guidance
For the Years Ended December 31, 2020 and 2019**

American Physical Society

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Independent Auditor's Report

To the Board of Directors of
American Physical Society
College Park, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **American Physical Society** ("APS"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of APS as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of APS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about APS' ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 APS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about APS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain



additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2021 on our consideration of APS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of APS' 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 APS' internal control over financial reporting and compliance.

BDO USA, LLP

June 7, 2021

American Physical Society
Statements of Financial Position
As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 23,743,201	\$ 25,354,720
Investments, at fair value	221,077,002	197,066,656
Accounts receivable, net of allowance for doubtful accounts of \$56,500 in 2020 and 2019	2,578,028	1,847,590
Pledges receivable, net	47,004	57,817
Prepaid expenses and other assets	2,347,044	1,367,083
Equity interest in American Center for Physics	4,992,200	4,441,589
Land, building and equipment, net	16,169,263	16,957,475
Beneficial interest in perpetual trust	662,497	603,855
Total assets	<u>\$ 271,616,239</u>	<u>\$ 247,696,785</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,380,658	\$ 5,374,354
Deferred revenues:		
Publications	11,491,320	12,503,060
Membership dues	2,572,500	2,737,619
Other	114,872	681,033
Liability for post-retirement medical benefits	10,165,815	14,225,721
Total liabilities:	<u>30,725,165</u>	<u>35,521,787</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions		
Undesignated	174,090,890	146,836,897
Designated by Board	48,433,419	47,430,725
Total without donor restrictions	<u>222,524,309</u>	<u>194,267,622</u>
With donor restrictions	<u>18,366,765</u>	<u>17,907,376</u>
Total net assets	<u>240,891,074</u>	<u>212,174,998</u>
Total liabilities and net assets	<u>\$ 271,616,239</u>	<u>\$ 247,696,785</u>

See accompanying notes to financial statements.

American Physical Society
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Research publications	\$ 46,762,869	\$ -	\$ 46,762,869
Scientific meetings	1,008,942	-	1,008,942
Membership operations	4,376,406	-	4,376,406
Public affairs and programs	3,298,055	1,750,648	5,048,703
Net assets released from restrictions	1,291,259	(1,291,259)	-
	<u>56,737,531</u>	<u>459,389</u>	<u>57,196,920</u>
Expenses:			
Program services	51,312,916	-	51,312,916
Supporting services	<u>5,293,521</u>	<u>-</u>	<u>5,293,521</u>
Total operating expenses	<u>56,606,437</u>	<u>-</u>	<u>56,606,437</u>
Income from operations	<u>131,094</u>	<u>459,389</u>	<u>590,483</u>
Non-operating activities:			
Net investment return	23,164,699	-	23,164,699
Equity interest in American Center for Physics	550,611	-	550,611
Other components of net periodic post-retirement medical benefit expense	1,253,021	-	1,253,021
Change in post-retirement medical benefits other than net periodic post-retirement medical benefit cost	3,157,262	-	3,157,262
	<u>28,125,593</u>	<u>-</u>	<u>28,125,593</u>
Change in net assets	<u>28,256,687</u>	<u>459,389</u>	<u>28,716,076</u>
Net assets, beginning of year	<u>194,267,622</u>	<u>17,907,376</u>	<u>212,174,998</u>
Net assets, end of year	<u>\$ 222,524,309</u>	<u>\$ 18,366,765</u>	<u>\$ 240,891,074</u>

See accompanying notes to financial statements.

American Physical Society
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Research publications	\$ 45,374,766	\$ -	\$ 45,374,766
Scientific meetings	8,975,465	-	8,975,465
Membership operations	4,139,601	-	4,139,601
Public affairs and programs	3,241,146	950,339	4,191,485
Net assets released from restrictions	987,682	(987,682)	-
	<u>62,718,660</u>	<u>(37,343)</u>	<u>62,681,317</u>
Expenses:			
Program services	55,826,448	-	55,826,448
Supporting services	<u>4,775,494</u>	<u>-</u>	<u>4,775,494</u>
Total operating expenses	<u>60,601,942</u>	<u>-</u>	<u>60,601,942</u>
Income (loss) from operations	<u>2,116,718</u>	<u>(37,343)</u>	<u>2,079,375</u>
Non-operating activities:			
Net investment return	32,060,164	850,498	32,910,662
Equity interest in American Center for Physics	(143,277)	-	(143,277)
Other components of net periodic post-retirement medical benefit expense	1,226,715	-	1,226,715
Change in post-retirement medical benefits other than net periodic post-retirement medical benefit cost	(3,236,276)	-	(3,236,276)
	<u>29,907,326</u>	<u>850,498</u>	<u>30,757,824</u>
Change in net assets	<u>32,024,044</u>	<u>813,155</u>	<u>32,837,199</u>
Net assets, beginning of year	<u>162,243,578</u>	<u>17,094,221</u>	<u>179,337,799</u>
Net assets, end of year	<u>\$ 194,267,622</u>	<u>\$ 17,907,376</u>	<u>\$ 212,174,998</u>

See accompanying notes to financial statements.

American Physical Society
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services						Supporting Services			
	Research Publications	Scientific Meetings	Membership Operations	Public Affairs and Programs	Prizes and Awards	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Grants and other assistance	\$ -	\$ 12,541	\$ 71,103	\$ 1,807,617	\$ 535,667	\$ 2,426,928	\$ -	\$ -	\$ -	\$ 2,426,928
Salaries and wages	6,703,494	891,532	1,513,363	2,705,934	-	11,814,323	13,756,931	129,239	13,886,170	25,700,493
Employee benefits	1,881,461	207,276	384,607	677,585	-	3,150,929	3,913,238	37,188	3,950,426	7,101,355
Payroll taxes	480,680	61,530	107,534	185,973	-	835,717	944,815	10,154	954,969	1,790,686
Other personnel costs	4,510	2,639	1,255	34,207	-	42,611	431,540	60	431,600	474,211
Legal and accounting fees	-	4,980	36,398	22,752	-	64,130	359,658	-	359,658	423,788
Professional services	6,761,162	77,507	248,056	459,201	-	7,545,926	2,218,446	-	2,218,446	9,764,372
Advertising and promotion	2,200	3,649	27,176	18,867	-	51,892	123,764	713	124,477	176,369
Office expenses	70,888	311,719	585,333	129,386	1,307	1,098,633	1,748,941	3,420	1,752,361	2,850,994
Occupancy	-	-	-	231,711	-	231,711	1,204,209	-	1,204,209	1,435,920
Travel	86,875	69,864	318,816	129,330	-	604,885	209,257	1,037	210,294	815,179
Conferences, conventions and meetings	(780)	853,694	321,747	69,735	-	1,244,396	94,030	462	94,492	1,338,888
Depreciation and amortization	-	-	-	2,139	-	2,139	808,276	-	808,276	810,415
Insurance	-	-	-	-	-	-	218,372	-	218,372	218,372
Dues and subscriptions	375	9,860	256,424	28,846	-	295,505	114,526	369	114,895	410,400
Miscellaneous	4	185,050	106,236	394,978	(13,000)	673,268	194,799	-	194,799	868,067
Total expenses before allocated general and administrative	15,990,869	2,691,841	3,978,048	6,898,261	523,974	30,082,993	26,340,802	182,642	26,523,444	56,606,437
Allocated general and administrative	14,729,515	1,450,643	2,821,329	2,228,436	-	21,229,923	(21,710,120)	480,197	(21,229,923)	-
Total operating expenses	30,720,384	4,142,484	6,799,377	9,126,697	523,974	51,312,916	4,630,682	662,839	5,293,521	56,606,437
Other components of net periodic post-retirement medical benefit expense	(326,827)	(43,466)	(73,784)	(131,927)	-	(576,004)	(670,716)	(6,301)	(677,017)	(1,253,021)
Total expenses	\$ 30,393,557	\$ 4,099,018	\$ 6,725,593	\$ 8,994,770	\$ 523,974	\$ 50,736,912	\$ 3,959,966	\$ 656,538	\$ 4,616,504	\$ 55,353,416

See accompanying notes to financial statements.

American Physical Society
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services						Supporting Services			
	Research Publications	Scientific Meetings	Membership Operations	Public Affairs and Programs	Prizes and Awards	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Grants and other assistance	\$ -	\$ 59,618	\$ 323,569	\$ 1,356,794	\$ 845,999	\$ 2,585,980	\$ 848	\$ -	\$ 848	\$ 2,586,828
Salaries and wages	6,298,626	714,562	1,249,166	3,054,583	-	11,316,937	12,116,590	204,965	12,321,555	23,638,492
Employee benefits	1,610,313	146,650	308,343	584,328	-	2,649,634	3,534,009	53,309	3,587,318	6,236,952
Payroll taxes	462,913	48,860	90,035	165,579	-	767,387	923,202	15,946	939,148	1,706,535
Other personnel costs	3,272	3,795	5,703	18,598	-	31,368	370,115	4,668	374,783	406,151
Legal and accounting fees	-	298	-	19,430	-	19,728	269,473	-	269,473	289,201
Professional services	6,167,364	280,762	297,131	369,268	-	7,114,525	2,855,805	15,000	2,870,805	9,985,330
Advertising and promotion	-	25,267	38,806	22,378	-	86,451	103,256	491	103,747	190,198
Office expenses	113,711	289,996	865,107	149,402	317	1,418,533	2,059,315	9,455	2,068,770	3,487,303
Occupancy	-	-	-	210,197	-	210,197	1,447,713	-	1,447,713	1,657,910
Travel	624,003	249,742	555,392	487,645	12,256	1,929,038	922,546	10,980	933,526	2,862,564
Conferences, conventions and meetings	28,984	4,811,690	281,375	107,597	4,169	5,233,815	417,172	17,053	434,225	5,668,040
Depreciation and amortization	-	-	-	1,553	-	1,553	844,758	-	844,758	846,311
Insurance	-	-	-	-	-	-	201,502	-	201,502	201,502
Dues and subscriptions	205	13,841	264,778	39,776	-	318,600	99,752	7,161	106,913	425,513
Miscellaneous	(5,908)	(149,297)	19,386	348,267	-	212,448	200,603	61	200,664	413,112
Total expenses before allocated general and administrative	15,303,483	6,495,784	4,298,791	6,935,395	862,741	33,896,194	26,366,659	339,089	26,705,748	60,601,942
Allocated general and administrative	15,723,067	1,384,866	2,668,123	2,154,198	-	21,930,254	(22,464,775)	534,521	(21,930,254)	-
Total operating expenses	31,026,550	7,880,650	6,966,914	9,089,593	862,741	55,826,448	3,901,884	873,610	4,775,494	60,601,942
Other components of net periodic post-retirement medical benefit expense	(326,866)	(37,082)	(64,825)	(158,517)	-	(587,290)	(628,788)	(10,637)	(639,425)	(1,226,715)
Total expenses	\$ 30,699,684	\$ 7,843,568	\$ 6,902,089	\$ 8,931,076	\$ 862,741	\$ 55,239,158	\$ 3,273,096	\$ 862,973	\$ 4,136,069	\$ 59,375,227

See accompanying notes to financial statements.

American Physical Society
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 28,716,076	\$ 32,837,199
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	810,415	846,311
Accretion of discount on pledges	56	739
Equity interest in American Center for Physics	(550,611)	143,277
Net realized and unrealized gains on investments	(19,421,884)	(27,728,648)
Contributions of capital stock	(23,205)	(52,042)
Donor restricted contributions	(136,598)	(350,117)
Gain on beneficial interest in perpetual trust	(58,642)	(54,121)
(Increase) decrease in assets:		
Accounts receivable	(730,438)	(73,897)
Pledges receivable	10,757	376,253
Prepaid expenses and other assets	(979,961)	(380,050)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,006,304	(422,456)
Deferred publications revenue	(1,011,740)	(1,202,398)
Deferred membership dues revenue	(165,119)	(167,378)
Deferred other revenue	(566,161)	(26,253)
Liability for post-retirement medical benefits	(4,059,906)	2,336,236
Net cash provided by operating activities	<u>2,839,343</u>	<u>6,082,655</u>
Cash flows from investing activities:		
Proceeds from the sales of investments	18,410,256	19,009,272
Purchases of investments	(22,998,718)	(23,844,264)
Contributions of capital stock	23,205	52,042
Purchases of land, building and equipment	(22,203)	(672,226)
Net cash used in investing activities	<u>(4,587,460)</u>	<u>(5,455,176)</u>
Cash flows from financing activities:		
Donor restricted contributions	<u>136,598</u>	<u>350,117</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,611,519)</u>	<u>977,596</u>
Cash and cash equivalents at the beginning of the year	<u>25,354,720</u>	<u>24,377,124</u>
Cash and cash equivalents at the end of the year	<u>\$ 23,743,201</u>	<u>\$ 25,354,720</u>

See accompanying notes to financial statements.

American Physical Society

Notes to Financial Statements

1. Organization

American Physical Society ("APS") is an educational and scientific organization incorporated in the District of Columbia whose objective is the advancement and diffusion of the knowledge of physics. APS, a membership association with approximately 50,000 members, publishes physics journals, conducts scientific meetings, and engages in educational and public affairs and outreach programs. APS also administers various prize and award funds, campaigns for physics, and contracts. The campaigns for physics are programs designed to promote scientific interest and learning among students and to improve science education at all levels.

In addition to its core activities, APS has seventeen divisions, thirteen topical groups, nine forums, and ten sections:

Divisions

Division of Astrophysics
Division of Atomic, Molecular & Optical Physics
Division of Biological Physics
Division of Chemical Physics
Division of Computational Physics
Division of Condensed Matter Physics
Division of Fluid Dynamics
Division on Gravitation
Division of Laser Science
Division of Materials Physics
Division of Nuclear Physics
Division on Quantum Information
Division of Particles and Fields
Division of Physics of Beams
Division of Plasma Physics
Division of Polymer Physics
Division on Soft Matter

Topical Groups

Topical Group on Data Science
Topical Group on Energy Research and Applications
Topical Group on Few-Body Systems & Multiparticle Dynamics
Topical Group on Hadronic Physics
Topical Group on Instrument & Measurement Science
Topical Group on Magnetism and its Applications
Topical Group on Medical Physics
Topical Group on Physics Education Research
Topical Group on Plasma Astrophysics
Topical Group on Precision Measurement and Fundamental Constants
Topical Group on the Physics of Climate
Topical Group on Shock Compression of Condensed Matter
Topical Group on Statistical & Nonlinear Physics

Forums

Forum on Diversity and Inclusion
Forum on Education
Forum on Graduate Student Affairs
Forum on History of Physics
Forum on Industrial and Applied Physics
Forum on Outreach and Engaging the Public
Forum on International Physics
Forum on Physics and Society
Forum on Early Career Scientists

Sections

Far West Section
Four Corners Section
Mid-Atlantic Section
New England Section
New York Section
Northwest Section
Ohio-Region Section
Prairie Section
Southeastern Section
Texas Section

American Physical Society

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Accounting Basis

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and Cash Equivalents

APS considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents except for the cash held as part of the investment portfolio.

Investments

Investments are principally held in mutual funds and limited partnership investments which are recorded at their fair value. The fair values of mutual funds are based on quoted market values. The limited partnership investments have no readily determined market value and is valued at fair value based on net asset value as the practical expedient estimated based on the fair value of the underlying assets held by the general partners. Because of the inherent uncertainty of valuation, it is reasonably possible that the estimated value may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material. Investment return is included in the statements of activities. Investment expenses are netted against investment return. Interest income was allocated to restricted prize and award funds and the campaigns for physics at the rate of 5.5% for the years ended December 31, 2020 and 2019 as approved by the Board of Directors.

Accounts Receivable

Accounts receivable consists primarily of amounts due to APS from publications and other related receivables. APS records an allowance for doubtful accounts to state accounts receivable at their net realizable value. The allowance is based upon APS' policy and management's analysis of accounts. Accounts receivable are written off if reasonable collection efforts prove unsuccessful.

Pledges Receivable

APS receives pledges relating to the prize and award funds and the campaign for physics. Pledges receivable consists of those amounts for which APS has received unconditional letters of promise signed by the prospective donors, discounted to their present value based on risk free interest rates. APS records an allowance for uncollectible pledges to state pledges receivable at their net realizable value. The allowance is based upon specific identification. Pledges receivable are written off if reasonable collection efforts prove unsuccessful.

The pledges receivable balance is based on management's best estimate of amounts expected to be collected. The amounts ultimately realized could differ in the near term from amounts assumed in arriving at the present value.

American Physical Society

Notes to Financial Statements

Interest in Unconsolidated Affiliate

The American Center for Physics, Inc. ("ACP") was founded in 1991 by APS, American Institute of Physics (AIP), and another society. ACP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In the event of dissolution or wind-up of the affairs of ACP, net assets, if any, will be distributed to the founders in accordance with the predetermined ratios. APS accounts for its 22.088% interest in ACP under the equity method of accounting. The value of APS' interest in unconsolidated net assets is reflected in the statements of financial position.

Land, Building and Equipment

Land is recorded at historical cost. Expenditures for building and equipment are recorded at cost. APS capitalizes all expenditures for building and equipment over \$5,000. Depreciation and amortization is computed using the straight line method over the estimated useful lives of the assets from 3 to 5 years for computer and other equipment, 10 years for furniture, and 40 years for the building and related building improvements. When such assets are retired or disposed of or fully depreciated, the cost and the accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is recognized in the statements of activities. Expenditures for repairs and maintenance are charged to expense as incurred.

Impairment of Long-Lived Assets

APS reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statements of activities, to its current fair value.

Beneficial Interest in Perpetual Trust

Interest in the perpetual trust represents resources not in the possession of APS, but held and administered by a trustee, with APS deriving income from such funds. The trustee is currently an employee of APS. The fair value of APS' share of the assets is reflected in the statements of financial position. Changes in the fair value of contributions expected to be received in the future are reflected as gains or losses in the net asset class in which the contribution was originally recorded.

Deferred Revenues

All revenues and expenses for research publications, scientific meetings, and membership dues relating to future periods are deferred until their applicable periods. Revenues and expenses relating to these activities are recognized when research publications are published or when meetings or program activities are held. Membership dues revenues are recognized ratably over the periods of the corresponding membership.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for an operating reserve.

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Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized during the period in which it is earned. Revenue from research publications, scientific meetings and membership operations received in advance and not yet earned is deferred to the applicable period. Contributions, which are included in the statements of activities in the line item to which the contribution relates, are recognized when received, including those contributions received in the form of unconditional “promises to give” (pledges). Gifts of cash and other assets are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Donated Services

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

Expense Recognition

Expenses are recognized during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of APS. Those expenses include costs of office space, finance department, communications department, and information technology department. Office space is allocated based on proportional usage. The finance department costs are allocated based on estimates of time and effort, certain costs of the communications department are allocated based on estimates of time and effort, and the information technology department is allocated based on estimates of time and costs of specific technology utilized. Allocated general and administrative costs are allocated to program and supporting services on the basis of a pro-rata share of salaries. The statements of functional expenses present the natural classification detail of expenses by function.

Income Taxes

APS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation. APS had an immaterial amount of unrelated business income for the years ended December 31, 2020 and 2019. Under Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is

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more-likely than not that the position will be sustained. APS does not believe there are any material uncertain tax positions and; accordingly, will not recognize any liability for unrecognized tax benefits. APS has filed for and received income tax exemptions in the jurisdictions where it is required to do so.

Additionally, APS has filed Internal Revenue Service Form 990 tax returns as required and all applicable returns in those jurisdictions where it is required. APS believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2017. However, APS is still open to examinations by tax authorities from fiscal year 2017 forward. For the years ended December 31, 2020 and 2019, there were no interest or penalties recorded in the statements of activities.

Estimates

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

Financial Instruments and Credit Risk

APS manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, APS has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of APS.

Operating Indicator

Income from operations without donor restrictions includes all unrestricted revenues and expenses for the reporting period, except for investment-related income and the equity interest in ACP. Net investment return, other components of net periodic post-retirement medical benefits expense, and change in post-retirement medical benefits other than net periodic post-retirement medical benefit cost and the equity interest in ACP are reported as non-operating activities.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recent Accounting Pronouncements Adopted

In August 2018, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. Those modifications include the removal and addition of disclosure requirements as well as clarifying specific disclosure requirements. The guidance

is effective for the APS' fiscal year 2020. The adoption of this update did not have a material effect on the financial statements.

Recent Accounting Pronouncements to be Adopted

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*" (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under ASU 2016-02, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. ASU 2016-02 is effective for APS' fiscal year 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. APS is currently evaluating the impact of ASU 2016-02 on its financial statements.

3. Revenue Recognition

Contracts with Customers Accounted for in Accordance with ASU 2014-09, *Revenue from Contracts with Customers*

APS recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration APS expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, APS combines it with other performance obligations until a distinct bundle of goods or services exists. For the following items, disaggregated by type, performance obligations are satisfied over time or at a point in time and the related revenue is recognized as services are rendered. APS management expects that the period between when APS transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, APS has elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component.

Research Publications:

- **Publication Subscriptions** – Fees charged by APS to its customers that use APS' publications to further physics research. Customers utilizing these publications are laboratories and major research universities around the world. The duration of the underlying customers contract is generally a one-year period; therefore, revenue is recognized over time. The state of foreign economies continues to be a significant factor.
- **Article Processing Charges (APC)** - If an author chooses to make a work available open access in either an open access journal or hybrid journal, an APC fee, also known as an open access publication fee is charged. An open access article processing charge is assessed to all such works. This fee may be paid by the author, the author's institution, or their research funder. Revenue from APC is recognized at a point in time, specifically at the time the article is published, thus satisfying APS' performance obligations. The increasing support throughout the scientific community for open access research continues to serve as a major economic factor for APC.

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Scientific meetings:

- **Meeting Revenue** – Registration fees charged to attendees of the APS hosted scientific meetings. Generally, the fees charged are delineated by member type. The revenue is recognized at a point in time, specifically, the last day of the meeting, after fully satisfying APS' obligation. Due to the COVID-19 pandemic, APS had to cancel its largest meeting, the March meeting in 2020 and host all other meetings on a virtual platform. Fees, if any, were significantly reduced in 2020. Due to universities funding a significant amount of the registration fees that are paid to APS, funding allocated to higher education continues to be a primary economic factor that could engender minor to moderate fluctuation coupled with on-going uncertainty about both the return to in-person meetings and/or the added cost of hosting hybrid meeting in the future.

Membership Operations:

- **Member Dues** - Fees charged by APS to its customers that maintain a membership. Members receive benefits, including advocacy, research, and discounts, throughout the year. As each of these membership benefits is not distinct, these benefits are bundled and considered a single performance obligation. Revenue is recognized over a period of time, specifically, over a twelve-month period, starting on each member's anniversary date. The various membership classes are life member, senior member, regular member, early career member, graduate member, and undergraduate member.

Revenue Accounted for in Accordance with ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

Public affairs and programs:

- **U.S. Federal Grants** - awarded by federal agencies are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes, and revenue is recognized when qualifying expenditures are incurred and conditions under the grant agreements are met. Under ASU 2018-08, a refundable advance is recorded when APS receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements. As of December 31, 2020, and 2019, there were no refundable advances recorded related to conditional grants and contracts. APS has \$6,031,498 and \$5,673,558 of conditional government grants outstanding as of December 31, 2020 and 2019, respectively.

Contributions - APS receives contributions from individuals, foundations, corporations, and other charitable organizations. Contributions are recognized as revenue, at fair value, on the earlier of the receipt of cash or an unconditional promise to give. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A promise is considered conditional only if the donor has stipulated one or more barriers that must be overcome before APS is entitled to the assets transferred or promised, and there also exists a right of return to the donor of any assets transferred or a right of release of the donor's obligation to honor the promise. APS has \$4,650,000 of conditional pledges as of December 31, 2020 and 2019. Contributions which impose restrictions that are met in the same fiscal year the contribution is received are reported as increases in net assets without donor restrictions. Expirations of donor restrictions (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) in subsequent years are reported as "Net assets released from donor restrictions" in the statements of activities.

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The following table shows APS' revenues disaggregated according to the timing of the transfer of goods and services under ASC 606 for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Revenue recognized at a point in time		
Scientific meetings	\$ 1,008,942	\$ 8,975,465
Research publications – APC	<u>6,912,679</u>	<u>6,756,279</u>
Total revenue recognized at a point in time	<u>7,921,621</u>	<u>15,731,744</u>
Revenue recognized over time		
Research publications – publication subscriptions	39,850,190	38,618,487
Membership operations	<u>4,376,406</u>	<u>4,139,601</u>
Total revenue recognized over time	<u>44,226,596</u>	<u>42,758,088</u>
Total	<u>\$ 52,148,217</u>	<u>\$ 58,489,832</u>

Contract Assets and Contract Liabilities at December 31:

	<u>2020</u>	<u>2019</u>
Accounts Receivable		
Accounts receivable – scientific meetings	\$ 131,983	\$ 200,016
Accounts receivable – APC	80,925	78,200
Accounts receivable – publication subscriptions	1,616,142	646,249
Membership operations	<u>4,137</u>	<u>4,350</u>
Total accounts receivable	<u>\$ 1,833,187</u>	<u>\$ 928,815</u>
Deferred Revenue		
Research publications – publication subscriptions	\$ 11,491,320	\$ 12,503,060
Membership operations	2,572,500	2,737,619
Scientific meetings	<u>114,872</u>	<u>681,033</u>
Total deferred revenue	<u>\$ 14,178,692</u>	<u>\$ 15,921,712</u>

The Society had no contract assets that require capitalization for years ended December 31, 2020 and 2019, respectively.

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4. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 23,743,201	\$ 25,354,720
Accounts receivable	2,578,028	1,847,590
Operating investments	154,276,818	131,728,555
Pledges receivable	<u>41,060</u>	<u>51,060</u>
Total	<u>\$ 180,639,107</u>	<u>\$ 158,981,925</u>

APS' endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted funds are not available for general expenditure. Operating investments have been reduced by endowment funds, donor-restricted funds and amounts designated by the board. APS' investments can be liquidated immediately upon management's request. APS does not utilize credit lines and has no outstanding debt.

As part of APS' liquidity management plan, it invests cash in excess of daily requirements in short-term investments and money market funds.

5. Fair Value Measurements and Disclosures

APS reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

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In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of APS' investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of the beneficial interest in perpetual trust is determined based on the fair value of fund investments as reported by the perpetual trust. These are considered to be Level 2 measurements.

APS uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

There were no changes in valuation techniques for years ended December 31, 2020 and 2019.

Below sets forth a table of assets measured at fair value on a recurring basis as of December 31, 2020.

Description	Fair value measurement at reporting date using					Balance as of December 31, 2020
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	Investments Reported at NAV*		
Money market funds	\$ 136,555	\$ -	\$ -	\$ -	\$ -	\$ 136,555
Fixed income:						
Short-term mutual funds	24,994,158	-	-	-	-	24,994,158
Intermediate-term mutual funds	25,741,722	-	-	-	-	25,741,722
Mutual funds-Treasury Inflation Protected Securities	6,860,143	-	-	-	-	6,860,143
Mutual funds-high yield	1,914,134	-	-	-	-	1,914,134
Mutual funds-international bonds	1,860,848	-	-	-	-	1,860,848
Equities:						
Mutual funds-equity domestic	95,028,779	-	-	-	-	95,028,779
Mutual funds-equity international	52,681,386	-	-	-	-	52,681,386
Hedge funds	-	-	-	11,859,277	-	11,859,277
Investments, at fair value	<u>\$209,217,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,859,277</u>	<u>\$ -</u>	<u>\$ 221,077,002</u>
Beneficial interest in perpetual trust	\$ -	\$ 662,497	\$ -	\$ -	\$ -	\$ 662,497

*Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

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Below sets forth a table of assets measured at fair value on a recurring basis as of December 31, 2019.

Description	Fair value measurement at reporting date using					Balance as of December 31, 2019
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	Investments Reported at NAV*		
Money market funds	\$ 207,497	\$ -	\$ -	\$ -		\$ 207,497
Fixed income:						
Short-term mutual funds	28,712,354	-	-	-		28,712,354
Intermediate-term mutual funds	19,878,837	-	-	-		19,878,837
Mutual funds-Treasury Inflation Protected Securities	5,787,512	-	-	-		5,787,512
Mutual funds-high yield	1,779,611	-	-	-		1,779,611
Mutual funds-international bonds	1,429,996	-	-	-		1,429,996
Equities:						
Mutual funds-equity domestic	80,633,818	-	-	-		80,633,818
Mutual funds-equity international	43,485,459	-	-	-		43,485,459
Hedge funds	-	-	-	15,151,572		15,151,572
Investments, at fair value	<u>\$ 181,915,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,151,572</u>		<u>\$ 197,066,656</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ 603,855</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 603,855</u>

*Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

The table below sets forth the category, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which the fair value is not readily determinable, as of December 31, 2020 and 2019.

Description	2020 Fair Value	2019 Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Hedge funds	<u>11,859,277</u>	<u>\$ 15,151,572</u>	<u>\$ -</u>	<u>Quarterly</u>	<u>45 days</u>

Below sets forth a table consisting of the estimated fair values of APS' financial instruments that are not measured at fair value on a recurring basis as of December 31, 2020 and 2019.

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Pledges receivable, net	<u>\$ 47,004</u>	<u>\$ 46,561</u>	<u>\$ 57,817</u>	<u>\$ 56,702</u>

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Pledges receivable:

The fair value of pledges receivable is estimated using risk free interest rates applied to multi-year pledges receivable when notice of intent is given. Pledges receivable qualified as Level 2 assets under the ASC 820 hierarchy. The difference between the fair value and carrying amount is not material.

6. Investments

At December 31, 2020 and 2019, investments consist of the following:

	2020		2019	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
Mutual Funds:				
Money market funds	\$ 136,555	\$ 136,555	\$ 207,497	\$ 207,497
Fixed income	61,371,005	59,562,186	57,588,310	56,883,728
Equities	147,710,165	82,431,246	124,119,277	74,736,192
Total mutual funds	<u>209,217,725</u>	<u>142,129,987</u>	<u>181,915,084</u>	<u>131,827,417</u>
Hedge funds	<u>11,859,277</u>	<u>6,493,770</u>	<u>15,151,572</u>	<u>6,493,770</u>
Total investments	<u>\$ 221,077,002</u>	<u>\$ 148,623,757</u>	<u>\$ 197,066,656</u>	<u>\$ 138,321,187</u>

Investment management expenses were \$488,727 and \$458,821 for years ended December 31, 2020 and 2019, respectively, and were included in net investment return.

7. Pledges Receivable

At December 31, 2020 and 2019, maturity dates and the present value of pledges receivable is as follows

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 41,060	\$ 51,060
One to five years	<u>6,000</u>	<u>7,000</u>
	47,060	58,060
Less present value discount	<u>(56)</u>	<u>(243)</u>
Pledges receivable, net	<u>\$ 47,004</u>	<u>\$ 57,817</u>

Pledges due in more than one year have been recorded at their present value using a discount rate of 2.69% in 2020 and 1.92% in 2019.

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8. Land, Building and Equipment

At December 31, 2020 and 2019, land, building and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 196,412	\$ 196,412
Building and improvements	21,696,517	21,691,072
Furniture and equipment	<u>1,596,131</u>	<u>1,579,372</u>
	23,489,060	23,466,856
Less accumulated depreciation and amortization	<u>(7,319,797)</u>	<u>(6,509,381)</u>
Land, building and equipment, net	<u>\$ 16,169,263</u>	<u>\$ 16,957,475</u>

Depreciation and amortization expense was \$810,415 and \$846,311 for the years ended December 31, 2020 and 2019, respectively.

9. Commitments

Lease Commitments

APS is committed to minimum annual lease payments on operating leases as follows:

<u>Years Ending December 31,</u>	<u>The Office of Public Affairs in Washington, D.C.</u>
2021	\$ 346,100
2022	354,750
2023	<u>363,607</u>
Total lease commitments	<u>\$ 1,064,457</u>

APS is committed under an operating lease in Washington, D.C. that expires in December 2023. The lease contains escalation increases for real estate taxes and other operating costs. These escalations in rent and the effect of this has been recorded as deferred rent and is included in accounts payable and accrued expenses in the accompanying statements of financial position. APS is also committed under an operating lease in College Park, MD. However, this lease can be terminated every year. Total rental expense was \$973,408 and \$1,034,115 for the years ended December 31, 2020 and 2019, respectively.

Federal Grants

APS participates in a number of federal grant and contract programs which are subject to financial and compliance audits. Accordingly, APS' compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting or contracting agencies cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

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10. Endowment

APS' endowment consists of individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

In accordance with ASC 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*, APS treats all donor restricted endowment funds as perpetual by nature. APS has interpreted the District of Columbia UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Funds in the donor restricted funds, including prizes, awards and other donor-restricted moneys, are comingled with funds in the endowment for investment purposes. The returns on the endowment funds invested have been included in the investment return in the statements of activities.

As of December 31, 2020 and 2019, APS did not have any board designated endowment funds.

APS' endowment funds consist of the following at:

	Without Donor Restrictions	With Donor Restrictions	Total
<i>December 31, 2020</i>			
Board designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	-	5,290,632	5,290,632
Accumulated investment gains	-	600,936	600,936
	<u>\$ -</u>	<u>\$ 5,891,568</u>	<u>\$ 5,891,568</u>
<i>December 31, 2019</i>			
Board designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	-	5,007,830	5,007,830
Accumulated investment gains	-	503,657	503,657
	<u>\$ -</u>	<u>\$ 5,511,487</u>	<u>\$ 5,511,487</u>

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Changes in Endowment Net Assets

The following table represents the changes in endowment net assets for the years ended December 31:

	Without Donor Restrictions	With Donor Restrictions	2020 Total
Endowment net assets, beginning of the year	\$ -	\$ 5,511,487	\$ 5,511,487
Investment return, net	-	337,850	337,850
Contributions	-	113,402	113,402
Transferred to endowment	-	126,263	126,263
Amounts appropriated for expenses	-	(197,434)	(197,434)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 5,891,568</u>	<u>\$ 5,891,568</u>

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Endowment net assets, beginning of the year	\$ -	\$ 5,135,937	\$ 5,135,937
Investment return, net	-	306,263	306,263
Contributions	-	404,074	404,074
Amounts appropriated for expenses	-	(334,787)	(334,787)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 5,511,487</u>	<u>\$ 5,511,487</u>

Return Objectives and Risk Parameters

By policy, through prudent investing and by counting both income earned from investments and realized and unrealized capital appreciation, the value of the endowment grows over the long-term at a rate that materially exceeds the long term rate of inflation, thereby preserving and enhancing the endowment's real purchasing power.

Under this policy, as approved by APS, the endowment assets are invested in a manner that is intended to produce an annualized rate of return when measured over rolling five-year periods, of 5% in excess of the Consumer Price Index for all Urban Consumers ("CPI-U") as published by the U.S. Department of Labor, Bureau of Labor Statistics. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In order to protect the restricted endowment against losses and to ensure relative stability in its annual earnings (which are needed to award prizes and cover other commitments), APS' Treasurer, with the approval of the Investment Committee, shall declare an annual earning rate to be applied for recordkeeping purposes to the corpus of the restricted endowment. The earning rate is typically between 5.0% to 5.5%.

This earning rate need not be the same as the actual performance of the endowment as a whole. The value of the earnings thus credited each year to the restricted endowment shall be subtracted from the endowment's total earnings, or losses in any year to yield the value of the earnings, or losses, to be credited to the restricted endowment in that year.

American Physical Society
Notes to Financial Statements

11. Net Assets with Donor Restrictions

At December 31, 2020 and 2019, net assets with donor restrictions are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purposes:		
To provide awards to distinguished individuals in the field of Physics	\$ 10,804,535	\$ 10,426,095
To promote scientific interest and learning among students and to improve science education at all levels	<u>1,670,662</u>	1,969,794
	<u>12,475,197</u>	<u>12,395,889</u>
Subject to APS' endowment spending policy and appropriation:		
To provide an annual scholarship for women Physicists	1,627,898	1,605,401
To provide awards to distinguished individuals and travel assistance in the field of Physics	<u>4,263,670</u>	3,906,086
Total endowments	<u>5,891,568</u>	<u>5,511,487</u>
	<u>\$ 18,366,765</u>	<u>\$ 17,907,376</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
To provide awards to distinguished individuals and travel assistance in the field of Physics	\$ 344,383	\$ 412,605
To provide an annual scholarship for women physicists	66,232	207,150
To promote scientific interest and learning among students and to improve science education at all levels	<u>880,644</u>	367,927
	<u>\$ 1,291,259</u>	<u>\$ 987,682</u>

American Physical Society

Notes to Financial Statements

12. Net Assets Without Donor Restrictions

APS' Board of Directors has designated from net assets without donor restrictions. The following reflects the net assets for specific purposes within board-designated net assets at:

	<u>2020</u>	<u>2019</u>
Board designated net assets		
Operating Fund	\$ 19,479,735	\$ 19,000,000
Post Retirement Fund	12,302,991	12,000,000
Publications Initiative Fund	7,505,348	7,372,164
Program Fund	6,151,495	6,000,000
Technology Initiatives Fund	1,059,515	1,033,422
Special Initiatives	163,090	159,073
Prizes & Awards	1,771,245	1,866,066
Total board designated net assets	<u>48,433,419</u>	<u>47,430,725</u>
Undesignated net assets	<u>174,090,890</u>	<u>146,836,897</u>
Total	<u>\$ 222,524,309</u>	<u>\$ 194,267,622</u>

13. Retirement Plan

All employees are eligible to participate in a defined contribution retirement plan with Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA and CREF) immediately upon employment, except employees of who normally work fewer than 20 hours per week. Effective January 1, 2019, the excluded employees are those who normally work fewer than 18.75 hours per week and interns.

Participants may contribute pre-tax annual compensation, as defined in the Plan, up to the maximum allowable under the Internal Revenue Code (IRC) each year. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Effective January 1, 2019, participant may make Roth contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollover contributions). Upon completion of one year of employment, Plan participants who work in excess of 976 hours in a year are eligible to receive an APS nonelective contribution. Effective January 1, 2019, the minimum service requirement for APS nonelective contribution is 244 hours in a three-month period. The APS makes nonelective contributions to the Plan equal to 10% of the participant's compensation. Contributions are subject to certain Internal Revenue Service (IRS) limitations. Retirement expenses were \$2,410,451 and \$2,092,616 for the years ended December 31, 2020 and 2019, respectively.

American Physical Society
Notes to Financial Statements

14. Post-Retirement Benefits Other than Pension

APS sponsors a post-retirement health plan (the Plan) which provides medical benefits for eligible employees and their eligible dependents upon the retirement of the employee. The cost of these benefits, which are primarily for health benefits, is recognized in the financial statements over the employees' active working careers. The following table presents the funded status and amounts recognized in the statements of financial position of the Plan at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accumulated post-retirement benefit obligation:		
Benefit obligation, at beginning of the year	\$ 14,225,721	\$ 11,889,485
Service cost	350,377	326,675
Interest cost	434,006	480,341
Actuarial (gain) loss	(4,581,454)	1,776,080
Net employer benefits paid	<u>(262,835)</u>	<u>(246,860)</u>
Benefit obligation, at end of the year	<u><u>\$ 10,165,815</u></u>	<u><u>\$ 14,225,721</u></u>
Change in plan assets:		
Fair value of plan assets, at beginning of the year	\$ -	\$ -
APS contribution	262,835	246,860
Plan participant contributions	35,045	53,829
Benefits paid	<u>(297,880)</u>	<u>(300,689)</u>
Fair value of plan assets, at end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Funded status	\$ (10,165,815)	\$ (14,225,721)
Unrecognized actuarial (gain) loss	(3,699,099)	882,355
Unrecognized prior service cost	<u>(3,374,056)</u>	<u>(5,061,083)</u>
Accrued benefit cost	<u><u>\$ (17,238,970)</u></u>	<u><u>\$ (18,404,449)</u></u>
Components of net periodic post-retirement benefit cost included in the accompanying statements of activities:		
	<u>2020</u>	<u>2019</u>
Service cost	<u>\$ 350,377</u>	<u>\$ 326,675</u>
Other components-		
Interest cost	434,006	480,341
Amortization of prior service cost	(1,687,027)	(1,687,027)
Amortization of unrecognized gain	-	(20,029)
Total other components	<u>(1,253,021)</u>	<u>(1,226,715)</u>
Net periodic post-retirement benefit cost	<u><u>\$ (902,644)</u></u>	<u><u>\$ (900,040)</u></u>
Items not yet recognized as a component of net post-retirement benefit cost:		
Unrecognized prior service cost	\$ (3,374,056)	\$ (5,061,083)
Unrecognized net (gain) loss	<u>(3,699,099)</u>	<u>882,355</u>
	<u><u>\$ (7,073,155)</u></u>	<u><u>\$ (4,178,728)</u></u>

American Physical Society
Notes to Financial Statements

	<u>2020</u>	<u>2019</u>
Weighted-average assumptions used to determine benefit obligation at end of year:		
Discount rate	2.50%	3.25%
Weighted-average assumptions used to determine net periodic benefit cost for the year:		
Discount rate	3.25%	4.25%
Health care cost trend rate assumption:		
Initial trend rates-		
Medical	4.75%	4.75%*
Drug	4.75%	4.75%*
Ultimate trend rates-		
Medical	4.75%	4.75%*
Drug	4.75%	4.75%*
Year ultimate trend rate is achieved	N/A	N/A
<i>*Employer subsidy capped at 5%.</i>		

The plan was modified effective December 31, 2005 to limit the increase in APS' benefit costs to 5.0% per year. The Plan was modified effective September 14, 2017 to provide a fixed dollar subsidy of up to \$300 per month for retirees and up to \$150 per month for dependents. These amounts may be increased 3 percent per annum and are used to purchase an AARP Medical Plan. Employees hired after June 1, 2017 are not eligible for the Plan.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	<u>1-Percentage-Point Increase</u>	<u>1-Percentage-Point Decrease</u>
Effect on total of service and interest cost	N/A*	N/A*
Effect on post-retirement benefit obligation	N/A*	N/A*
<i>*Employer subsidy capped at 5%.</i>		

APS funds the Plan benefits on a pay-as-you-go basis. Approximate expected future payments are as follows:

Years Ending December 31,

2021	\$ 410,193
2022	386,160
2023	418,471
2024	414,583
2025	425,567
2026-2030	2,456,709

15. Significant Transactions with Other Societies

AIP is a not-for-profit corporation, which, in addition to administering its own programs, services ten member societies, among them, APS. Under several agreements between APS and AIP, AIP performs certain services for APS. APS paid AIP \$420,366 during the years ended December 31, 2020 and 2019.

APS had a payable due to AIP of \$21,009 and \$46,286 as of December 31, 2020 and 2019, respectively.

ACP purchased land and constructed, furnished and now operates a building in College Park, Maryland which it leases to its founders. Financing for this project was obtained by ACP through an issue of tax-exempt bonds by the Maryland Industrial Development Financing Authority. Those bonds have now been repaid. APS relocated its operations to the College Park facility in November 1993. Pursuant to a lease and an agreement, each dated October 1, 1992, APS occupies space for which it is obligated to pay ACP 21.847% of ACP's base costs and 25.299% of building operating expenses and real estate taxes, if any. These percentages are subject to modification by agreement of ACP and the founders. In addition, costs, expenses and any other financial obligations of ACP which are not covered by lease payments or other funding, may be assessed by ACP to its founders in accordance with predetermined ratios. At December 31, 2020 and 2019 APS' interest in ACP was \$4,992,200 and \$4,441,589, respectively. APS paid rent to ACP in the amount of \$744,073 and \$828,739 for the years ended December 31, 2020 and 2019, respectively.

16. Litigation

APS is subject to legal proceedings, claims and liabilities which arise in the ordinary course of business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect APS' financial position or changes in its net assets or cash flows.

17. Risks and Uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

While a significant amount of revenue normally earned by hosting member meetings was significantly reduced because meetings were cancelled or hosted with little or no registration fee, the Society also significantly reduced its expenses and froze salaries. The Society's other revenue sources were impacted less and all Society spending is being closely managed and monitored.

The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has and will impact how scientific information is shared and exchanged. APS is actively working with its community to identify virtual methods to perpetuate our mission. As such, APS expects to continue to support the physics community and advance our mission but certain programs and services may change or be put on hold for the short term. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on APS' financial condition, liquidity, and future results of operations.

American Physical Society

Notes to Financial Statements

On March 27, 2020, the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. APS has not significantly utilized any of the CARES Act provisions.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the Act) was passed which included \$900 billion in stimulus relief as a result of the COVID-19 pandemic. APS has determined that there is no impact of the Act upon the organization.

18. Subsequent Events

On March 11, 2021, the American Rescue Plan Act of 2021 (the Act) was also signed into law which includes \$1.9 trillion in stimulus relief as a result of the COVID-19 pandemic. Currently, management does not expect the Act to have a material impact on the consolidated statements of financial position, changes in net assets, or liquidity of the Organization.

APS evaluated subsequent events through June 7, 2021, which is the date the financial statements were available to be issued. There were no events noted that required adjustments to or disclosure in these financial statements, except as discussed above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**American Physical Society
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number or Pass – Through Identifying Number	Grant Period	Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster:					
Direct - National Science Foundation:					
APS Division of Fluid Dynamics Travel Support Program for Students and Early Career Scientists 2017 – 2019	47.041	CBET-1802070	11/15/17 – 10/31/20	\$ -	\$ 23,834
Sub total – CFDA 47.041				-	23,834
PhysTEC: Building a Solution to the National Physics Teacher Shortage	47.049	PHY-1707990	07/01/17 – 06/30/22	273,442	622,224
APS Conferences for Undergraduate Women in Physics (CUWIP2)	47.049	PHY-1622510	09/01/16 – 08/31/21	-	94,717
APS Conferences for Undergraduate Women in Physics (CUWIP3)	47.049	PHY-2012033	08/01/20 – 07/31/23	-	1,490
Outreach Mini-Grant Program	47.049	PHY-1404843	08/01/14 – 09/30/20	22,855	29,666
Physics REU Site Director Workshop (REU2)	47.049	PHY-1623204	07/01/16 – 06/30/20	-	(694)
National Physics REU Leadership Group Workshop and Community- Building	47.049	PHY-2011908	06/01/20 – 05/31/23	-	20,084
Professional Skills Development Workshops	47.049	PHY-1419913	08/01/14 – 09/30/20	-	22,611
Sub total – CFDA 47.049				296,297	790,098
Collaboration Research: The Pipeline Network	47.076	DUE-1624882	09/01/16 – 06/30/21	-	20,525
Collaboration Research: NRT-IGE: Deploying Holistic Admissions and Critical Support Structures to Increase Diversity and Retention of U.S. Citizens in Physics Graduate Programs	47.076	DGE-1633150	09/15/16 – 08/31/21	-	8,305
Collaborative Research: Mobilizing Teachers	47.076	DRL-1720810	05/15/17 – 04/30/22	-	166,040
Changing the Culture: Developing a Guide of Effective Practices to Improve, Assess, and Review Undergraduate Physics Programs	47.076	DUE-1821372	10/01/18 – 09/30/23	145,355	379,517
Inclusion Across the Nation of Communities of Learners of Underrepresented Discoverers in Engineering and Science (NSF INCLUDES)	47.076	HRD-1834540	09/01/18 – 02/29/24	642,381	942,819

Continued

**American Physical Society
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number or Pass – Through Identifying Number	Grant Period	Provided to Subrecipients	Total Federal Expenditures
Pass Through Grants - National Science Foundation:					
Colorado School of Mines					
Collaborative Research: Get the Facts Out: Changing the Conversation around STEM Teacher Recruitment	47.076	DUE-1821710	07/01/18 – 06/30/21	\$ -	\$ 48,706
Sub total – CFDA 47.076				<u>787,736</u>	<u>1,565,912</u>
Total National Science Foundation - Research and Development Cluster				1,084,033	2,379,844
U.S. Department of Energy:					
Workshop on Energy Research	81.049	DE-SC0018365	09/15/17 – 09/14/21	-	21,052
Conference of Undergraduate Women in Physics	81.049	DE-SC0011076	12/01/13 – 05/01/21	-	154,000
Long Range Community Planning Process for Fusion Sciences and Plasma Physics	81.049	DE-SC00020225	07/01/19 – 06/30/20	-	158,832
Total U.S. Department of Energy				<u>-</u>	<u>333,884</u>
Total Expenditures of Federal Awards				<u>\$ 1,084,033</u>	<u>\$ 2,713,728</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

American Physical Society
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of American Physical Society (“APS”) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of APS, it is not intended to and does not present the financial position, changes in net assets or cash flows of APS.

2. Indirect Cost Rate

APS has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. APS has the option to operate under predetermined fixed indirect cost rates. In June 2019, APS received approval to use an indirect cost rate from the National Science Foundation at 36.2% for the period January 1, 2020 to December 31, 2022.

3. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

4. Reconciliation of Schedule of Expenditures of Federal Awards to the Statement of Activities

<i>Year ended December 31, 2020</i>	Total Non-Grant Expenditures	Total Federal Expenditures	Total Expenditures
Research publications	\$ 30,720,384	\$ -	\$ 30,720,384
Scientific meetings	4,142,484	-	4,142,484
Membership operations	6,799,377	-	6,799,377
Public affairs and programs	6,412,969	2,713,728	9,126,697
Prizes and awards	523,974	-	523,974
General and administrative	4,630,682	-	4,630,682
Fundraising	662,839	-	662,839
	<u>\$ 53,892,709</u>	<u>\$ 2,713,728</u>	<u>\$ 56,606,437</u>

American Physical Society
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

APS records other revenue to Public affairs and programs revenue which are not required to be recorded within the Schedule.

<i>Year ended December 31, 2020</i>	Total
Income accrued from Schedule of Expenditures of Federal Awards	\$ 2,713,728
Contributions	396,368
Program income	31,430
Advertising	95,673
Other	60,856
	<u>\$ 3,298,055</u>

**INDEPENDENT AUDITOR'S REPORTS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS* AND
THE UNIFORM GUIDANCE**



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Independent Auditor's 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 of
American Physical Society
College Park, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **American Physical Society** ("APS"), which comprise the statement of financial position as of December 31, 2020, 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 June 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered APS' internal control over financial reporting (internal control) as a basis for designing 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 APS' internal control. Accordingly, we do not express an opinion on the effectiveness of APS' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether APS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

BDO USA, LLP

June 7, 2021



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Independent Auditor's Report on Compliance For the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
American Physical Society
College Park, Maryland

Report on Compliance

Opinion on Compliance for the Major Federal Program

We have audited **American Physical Society's** ("APS") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on APS' major federal program for the year ended December 31, 2020. APS' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, APS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2020.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of APS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of APS' compliance with the types of compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to APS' federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on APS' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about APS' compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding APS' compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of APS' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 APS' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

BDO USA, LLP

June 7, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**American Physical Society
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued
on whether the financial statements audited
were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over the major federal program:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor’s report issued on compliance
for the major federal program:

Unmodified

Any audit findings disclosed that are required to
to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of the major federal program:

CFDA Numbers

Name of Federal Program or Cluster

Various

Research and Development Cluster

Dollar threshold used to distinguish
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

**American Physical Society
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020**

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III – Federal Award Findings and Questioned Costs

There were no findings and questioned costs for Federal awards as defined in 2 CFR 200.516(a) of the Uniform Guidance that were required to be reported.