

AMERICAN VETERINARY MEDICAL ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2010

AMERICAN VETERINARY MEDICAL ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

To the Executive Board of
American Veterinary
Medical Association

We have audited the accompanying balance sheets of American Veterinary Medical Association as of December 31, 2010 and 2009 and the related statements of income, expenses and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an 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 the Association's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Veterinary Medical Association as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Legacy Professionals LLP

March 4, 2011

AMERICAN VETERINARY MEDICAL ASSOCIATION

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,452,298	\$ 12,996,961
Accounts receivable	182,373	140,403
Accrued interest receivable	13,274	27,927
Other receivables	275,979	679,055
Prepaid expenses	<u>574,776</u>	<u>580,657</u>
Total current assets	<u>20,498,700</u>	<u>14,425,003</u>
INVESTMENTS		
U.S. Government and Government Agency securities	832,532	2,060,625
Common stocks	7,118,439	7,932,708
Certificates of deposit	4,869,581	4,600,610
Mutual funds	<u>5,195,227</u>	<u>2,610,021</u>
Total investments	<u>18,015,779</u>	<u>17,203,964</u>
PROPERTY AND EQUIPMENT		
Property and equipment	16,320,326	15,851,543
Less accumulated depreciation and amortization	<u>(8,529,666)</u>	<u>(7,699,582)</u>
Net property and equipment	<u>7,790,660</u>	<u>8,151,961</u>
DEFERRED COMPENSATION PLAN		
	<u>2,761,257</u>	<u>2,760,960</u>
Total assets	<u>\$ 49,066,396</u>	<u>\$ 42,541,888</u>

See accompanying notes to financial statements.

AMERICAN VETERINARY MEDICAL ASSOCIATION

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 458,564	\$ 462,526
Accrued payroll and related taxes	202,953	165,195
Accrued retirement plan expenses	657,838	644,025
Accrued real estate and sales taxes	352,830	387,856
Clinical proficiency exam payments	765,265	686,355
Due to other related organizations	57,933	142,209
Deferred income	<u>15,939,516</u>	<u>12,524,809</u>
Total current liabilities	<u>18,434,899</u>	<u>15,012,975</u>
OTHER LIABILITIES		
Deferred compensation plan	2,761,257	2,760,960
Accrued paid time off	1,606,318	1,560,975
Tenant deposits	<u>21,033</u>	<u>23,057</u>
Total other liabilities	<u>4,388,608</u>	<u>4,344,992</u>
Total liabilities	22,823,507	19,357,967
UNRESTRICTED NET ASSETS (FUND BALANCE)	<u>26,242,889</u>	<u>23,183,921</u>
Total liabilities and net assets	<u>\$ 49,066,396</u>	<u>\$ 42,541,888</u>

See accompanying notes to financial statements.

AMERICAN VETERINARY MEDICAL ASSOCIATION
STATEMENTS OF INCOME, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
INCOME		
Dues	17,236,586	\$ 16,785,764
Convention	3,359,966	3,340,307
Advertising	1,726,287	1,915,994
Subscriptions	501,729	474,344
Investment earnings	485,252	604,970
Quality Assurance Program	479,706	505,757
Rental income	343,207	402,822
Career Center	286,595	259,747
Royalties	250,342	258,328
Printed materials	227,981	147,802
Accreditation and related fees	191,000	153,965
ECFVG Program	186,383	202,240
Manuscript processing fees	139,000	136,295
Mailing lists and labels	120,009	115,111
Other income	526,186	451,496
Total income	<u>26,060,229</u>	<u>25,754,942</u>
EXPENSES		
Publications Division	2,281,168	2,476,463
Scientific Activities Division	191,915	255,862
Education and Research Division	534,390	716,482
Animal Welfare Division	194,379	103,998
Communications Division	885,308	978,926
Governmental Relations Division	632,784	691,827
Convention and Meeting Planning Division	2,391,400	3,058,976
Membership and Field Services Division	742,127	649,353
House of Delegates/Executive Board	1,063,687	1,301,585
Office of the Executive Vice President	10,113,370	10,270,336
Information Technology	418,276	586,077
Business Division	4,982,784	5,353,805
Total expenses	<u>24,431,588</u>	<u>26,443,690</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE		
NET APPRECIATION ON INVESTMENTS	1,628,641	(688,748)
NET APPRECIATION ON INVESTMENTS	<u>1,430,327</u>	<u>2,056,040</u>
INCREASE IN NET ASSETS	3,058,968	1,367,292
UNRESTRICTED NET ASSETS (FUND BALANCE)		
Beginning of year	<u>23,183,921</u>	<u>21,816,629</u>
End of year	<u>\$ 26,242,889</u>	<u>\$ 23,183,921</u>

See accompanying notes to financial statements.

AMERICAN VETERINARY MEDICAL ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 3,058,968	\$ 1,367,292
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	830,084	867,351
Net (appreciation) on investments	(1,430,327)	(2,056,040)
Changes in assets and liabilities		
(Increase) decrease in receivables	375,759	(181,157)
(Increase) decrease in prepaid expenses	5,881	(84,368)
(Increase) decrease in deferred compensation plan assets	(297)	111,287
Increase in accounts payable and accrued expenses	12,583	38,550
Increase in clinical proficiency exam payments	78,910	455,200
Increase (decrease) in due to other related organizations	(84,276)	6,922
Increase in deferred income	3,414,707	580,065
Increase (decrease) in other liabilities	43,616	(107,644)
Net cash provided by operating activities	<u>6,305,608</u>	<u>997,458</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	13,724,430	20,023,927
Purchase of investments	(13,105,918)	(17,380,545)
Additions to property and equipment	<u>(468,783)</u>	<u>(550,814)</u>
Net cash provided by investing activities	<u>149,729</u>	<u>2,092,568</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,455,337	3,090,026
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>12,996,961</u>	<u>9,906,935</u>
End of year	<u>\$ 19,452,298</u>	<u>\$ 12,996,961</u>
SUPPLEMENTAL DISCLOSURES:		
Income tax paid	<u>\$ -</u>	<u>\$ 455,042</u>

See accompanying notes to financial statements.

AMERICAN VETERINARY MEDICAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - Financial records of the American Veterinary Medical Association (AVMA) are maintained on the accrual basis of accounting.

Financial Statement Presentation - In order to conform to provisions of generally accepted accounting principles, the Organization, as a not-for-profit entity, is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. As of both December 31, 2010 and 2009, the Association has only unrestricted net assets. Voluntary resolutions by the Executive Board to designate a portion of its unrestricted net assets for specific purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board at any time, designated net assets are considered unrestricted net assets.

New Accounting Pronouncement - In January 2010, the Financial Accounting Standards Board (FASB) issued new accounting guidance that enhanced disclosure requirements for fair value measurements. This update requires disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements, a description of the reasons for such transfers, and disclosure about the valuation techniques and inputs used for fair value measurements using Level 2 and Level 3 inputs. The new guidance was effective for periods beginning after December 15, 2009. The adoption of this guidance did not have a material impact on the Association's financial statements.

Cash Equivalents - Cash equivalents are checking and money market accounts, and short-term highly-liquid investments that are readily convertible to known amounts of cash, and so near their maturity that the risk of change in value is negligible.

Accounts Receivable - Accounts receivable at December 31, 2010 and 2009 are considered fully collectible and, therefore, an allowance for uncollectible accounts for accounts receivable has not been provided.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments - The investments of the Plan are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell that asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date (the exit price).

Purchases and sales of the investments are reflected on a trade-date basis.

Dividend income is recorded on the ex dividend date. Interest income is recorded on the accrual basis

Property and Equipment - Property and equipment are carried at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed over the estimated useful lives of the related assets by the straight-line method; building and improvements, 10 to 31.5 years; furniture and equipment, 5 years and computer software, 3 years. Tenant improvements are amortized over the remaining lease period. Depreciation and amortization expense for the years ended December 31, 2010 and 2009 was \$830,084 and \$867,351 respectively.

Deferred Income - Deferred income in the accompanying balance sheets includes membership dues, subscriptions, and convention income collected in advance. Such deferred income is substantially recognizable within one year.

Accrued Paid Time Off - Employees earn paid time off for each full calendar month of employment. Employees may accrue up to 165 days of paid time off. Upon termination of employment, unused paid time off, up to a maximum of 75 days, will be paid out.

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

Subsequent Events - Subsequent events have been evaluated through March 4, 2011, which is the date the financial statements were available to be issued.

NOTE 2. OBJECTIVE OF THE ASSOCIATION

The objective of the Association is to advance the science and art of veterinary medicine including its relationship to public health, biological science and agriculture. The Association provides a forum for the discussion of issues of importance to the veterinary profession and for the development of official positions. The Association is the authorized voice for the profession in presenting its views to government, academia, agriculture, pet owners, the media and other concerned publics.

NOTE 3. AVMA 401(K) PLAN

The Association has the AVMA Employees Retirement Plan, which is a 401(k) plan for its employees. Generally, all full-time employees are eligible to participate once they are over age 18. The Association contributes 3% of compensation of all covered employees which is calculated and remitted with each payroll. The Association contributes an additional 7% of compensation at the end of the year for all covered employees that have at least 1,000 hours of service during the plan year. The employer contributions will be vested in accordance with a schedule in which vesting begins after 2 years of employment and ends with 100% vesting being attained after 6 years of employment. The expense recognized by the Association for this plan was \$926,929 and \$945,833 for the years ended December 31, 2010 and 2009.

NOTE 4. AVMA DEFERRED COMPENSATION PLAN

During 1989, the Association established a qualified deferred compensation plan under Section 457 of the Internal Revenue Code. Contributions to the plan were terminated as of January 1, 2008. The amounts deferred and investment earnings are considered as assets of the Association subject to the claims of creditors and have been placed in a separate investment account earmarked for the participants. This account is reported at market value.

A summary of the activity of this account for the years ended December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 2,760,960	\$ 2,872,247
Employee withdrawals	(316,280)	(627,908)
Net investment earnings, including market value adjustments	<u>316,577</u>	<u>516,621</u>
Balance, end of year	<u>\$ 2,761,257</u>	<u>\$ 2,760,960</u>

NOTE 5. TAX STATUS

The Internal Revenue Service has advised that the Association qualifies under Section 501(c)(6) of the Internal Revenue Code and is, therefore, not generally subject to tax. The Association files Form 990, *Return of Organizations Exempt from Income Tax*, as well as the Form 990-T, *Exempt Organization Business Income Tax Return*. The Association's returns are subject to examination by the Internal Revenue Service until the applicable statute of limitations expires.

The Association engages in activities that are considered unrelated to the exempt function of the organization. These unrelated activities include advertising income on journals and the operation of a career center. Federal and state income taxes for the years ended December 31, 2010 and 2009 on these unrelated business activities were \$27,000 and \$0 respectively. At December 31, 2010 and 2009, the Association had receivables of \$0 and \$417,379, respectively, from the federal government and \$85,131 and \$95,131 from the State of Illinois for taxes paid in 2009.

NOTE 6. PROPERTY AND EQUIPMENT

The composition of property and equipment at December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 1,330,000	\$ 1,330,000
Building and improvements	10,363,545	9,977,192
Furniture and equipment	1,902,363	1,900,494
Computer equipment and software	2,724,418	2,643,857
Total	<u>\$ 16,320,326</u>	<u>\$ 15,851,543</u>

NOTE 7. DEFERRED INCOME

The composition of deferred income at December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Dues income	\$ 14,958,211	\$ 11,682,493
Other (convention, subscriptions, etc)	981,305	842,316
Total	<u>\$ 15,939,516</u>	<u>\$ 12,524,809</u>

NOTE 8. INVESTMENT INCOME

A summary of investment income for the years ended December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Interest income	\$ 141,777	\$ 276,426
Dividends and capital gains	343,475	328,544
Net appreciation (depreciation) on investments	1,430,327	2,056,040
Total	<u>\$ 1,915,579</u>	<u>\$ 2,661,010</u>

NOTE 9. FAIR VALUE MEASUREMENTS

The *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

- | | |
|----------------|---|
| <u>Level 1</u> | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities |
| <u>Level 2</u> | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly |
| <u>Level 3</u> | Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable |

The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 9. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth, by level within the fair value hierarchy, the Association's investment assets at fair value as of December 31, 2010 and 2009. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. At December 31, 2010 and 2009, the Association held no assets classified within Level 3.

	<u>Total</u>	<u>Fair Value Measurements at 12/31/10 Using Quoted Prices</u>		
		<u>in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Government and Government Agency securities:				
U.S. Treasury notes	\$ 478,748	\$ 478,748	\$ -	\$ -
Mortgage-backed securities	353,784	-	353,784	-
Common stocks:				
Individual stock holdings	4,386,781	4,386,781	-	-
Exchange traded funds	2,731,658	2,731,658	-	-
Certificates of deposit	4,869,581	4,869,581	-	-
Mutual funds:				
Equity based funds	951,442	951,442	-	-
Fixed income based funds	3,586,727	3,586,727	-	-
Blended funds	657,058	657,058	-	-
Total	<u>\$ 18,015,779</u>	<u>\$ 17,661,995</u>	<u>\$ 353,784</u>	<u>\$ -</u>

	<u>Total</u>	<u>Fair Value Measurements at 12/31/09 Using Quoted Prices</u>		
		<u>in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Government and Government Agency securities:				
U.S. Treasury notes	\$ 237,655	\$ 237,655	\$ -	\$ -
Mortgage-backed securities	1,822,970	-	1,822,970	-
Common stocks:				
Individual stock holdings	3,997,918	3,997,918	-	-
Exchange traded funds	3,934,790	3,934,790	-	-
Certificates of deposit	4,600,610	4,600,610	-	-
Mutual funds:				
Equity based funds	469,501	469,501	-	-
Fixed income based funds	2,140,520	2,140,520	-	-
Total	<u>\$ 17,203,964</u>	<u>\$ 15,380,994</u>	<u>\$ 1,822,970</u>	<u>\$ -</u>

NOTE 9. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 Measurements

Most common stocks and U.S. Government securities are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period presented.

The fair values of mutual funds are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Shares held in mutual funds are traded on national securities exchanges and are valued at the net asset value on the last business day of each period presented.

Certificates of deposit are valued at par value which approximates fair value.

Level 2 Measurements

Most U.S. Government Agency securities are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that include inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the investment manager's best estimates.

As of December 31, 2010, the fair value of the Association's investments in Level 2 mortgage-backed securities was \$353,784. These securities have a weighted-average coupon rate of approximately 5.75% and a weighted-average maturity of approximately 27 years.

NOTE 10. OPERATING LEASES

The Association has entered into lease agreements for eight copiers which expire in February 2015 and June 2015. Future minimum annual base rents on the eight copiers are as follows:

	<u>Total</u>
Year ending December 31,	
2011	\$ 112,474
2012	112,474
2013	112,474
2014	112,474
2015	<u>26,005</u>
Total	<u>\$ 475,901</u>

Rent expense under the above and previous leases for the years ended December 31, 2010 and 2009 was \$101,585 and \$89,632 respectively.

The Association leases space in their building in Schaumburg, Illinois to various tenants. The future minimum annual lease receipts to be received by the Association under the current lease agreements are as follows:

	<u>Total</u>
Year ending December 31,	
2011	\$ 277,124
2012	241,321
2013	136,250
2014	86,195
2015	45,800
Thereafter	<u>46,945</u>
Total	<u>\$ 833,635</u>

NOTE 11. EXECUTIVE BOARD DESIGNATED NET ASSETS

The Executive Board has established the following board designated funds:

- The ECFVG Certification Quality Assurance Program which combined the Clinical Proficiency Examination (CPE) Quality Assurance Program and the Educational Commission for Foreign Veterinary Graduates (ECFVG) Quality Assurance Program. The purpose of the fund is to perform ongoing quality assurance for the CPE Quality Assurance Program and the ECFVG certification program. Revenue for this fund is derived from the candidates taking the CPE exam or enrolling in the ECFVG program.
- The Strategic Goal Fund was created to fund tactical programs approved by the Executive Board to advance the approved strategic goals of the AVMA.
- Special Fund Number 2 consists of funds from the Twelfth International Veterinary Congress and the Salmon Memorial Fund and provides an annual monetary award to a recipient selected by the AVMA Board who has contributed to international understanding of veterinary medicine.
- The Website Redevelopment Fund was created to fund the redevelopment of the Association's website, www.avma.org.

Activities of the board designated funds during 2010 and 2009 were as follows:

	ECFVG Quality Assurance Program	Strategic Goal Fund	Special Fund No. 2	Website Redevelopment Fund
Balance, December 31, 2008	\$ 1,140,624	\$ 896,609	\$ 5,463	\$ -
Revenue	505,757	-	354	-
Expenditures	<u>(438,053)</u>	<u>(119,970)</u>	<u>(500)</u>	<u>-</u>
Balance, December 31, 2009	1,208,328	776,639	5,317	-
Revenue	479,707	-	10	1,000,000
Expenditures	<u>(357,718)</u>	<u>(186,448)</u>	<u>(500)</u>	<u>(68,480)</u>
Balance, December 31, 2010	<u>\$ 1,330,317</u>	<u>\$ 590,191</u>	<u>\$ 4,827</u>	<u>\$ 931,520</u>

Executive Board designated net assets are included in unrestricted net assets.

NOTE 12. RELATED ORGANIZATIONS

AVMA has state, local and specialty veterinary organizational affiliates that include the American Veterinary Medical Foundation (AVMF), the Auxiliary to the AVMA and the AVMA Political Action Committee (PAC).

AVMA is reimbursed by AVMF for salaries and related employee benefits initially paid by AVMA. The amounts charged to AVMF were \$383,686 and \$349,146 for the years ended December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, amounts owed from AVMF to AVMA for salaries and benefits were \$99,398 and \$121,697 respectively.

Additionally, AVMA absorbs certain administrative expenses such as occupancy and general office expenses incurred by but not charged to AVMF. The amount of the general office expenses has been determined to be nominal. For the years ended December 31, 2010 and 2009, AVMA recognized \$34,952 and \$22,825 respectively as noncash rental income and a related noncash contribution for the estimated fair value of occupancy.

During the years ended December 31, 2010 and 2009, AVMA received \$65,000 and \$50,000 respectively from AVMF in support of AVMA's disaster relief initiatives. Additionally, AVMA provided \$46,000 to AVMF in both years ending December 31, 2010 and 2009 to cover travel expenses related to AVMF's board meetings.

AVMA often receives voluntary contributions for AVMF and the PAC and dues for the Auxiliary to the AVMA. These amounts are transferred to the respective organizations on a timely basis.

The financial activities of the related organizations are not included in the accompanying financial statements.

NOTE 13. DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES

Publications

Publications support AVMA's objectives to advance the science and art of veterinary medicine and to provide a forum for the discussion of issues of importance to the veterinary profession through production of various publications. *The Journal of the American Veterinary Medical Association*, which is the Association's official journal, the *American Journal of Veterinary Research* and the *AVMA News Bulletin* all include news and information about the Association and the veterinary profession as well as reports of new scientific advancements in veterinary medicine. The *AVMA Convention News* and the *Proceedings of the Annual Session of the American Veterinary Medical Association* are published to provide archival records of the annual convention and House of Delegates, respectively.

Currently, the *AVMA News Bulletin* is distributed by e-mail. The *Proceedings of the Annual Session of the American Veterinary Medical Association* is made available to members via the AVMA web site. Both scientific journals are provided to subscribers in print and online formats.

NOTE 13. DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES (CONTINUED)

Scientific Activities

Scientific Activities advances the art and science of veterinary medicine in a broad range of arenas, including public health and food safety, regulatory veterinary medicine, emergency preparedness and response, One Health, veterinary environmental matters, animal agriculture, aquatic veterinary medicine, and animal biologics and therapeutics.

Working with councils and committees, the division identifies and analyzes issues and facilitates approval and implementation of policy recommendations that are often focused upon federal regulatory agencies and international standard-setting bodies. In addition, the division provides program support to the AVMA Veterinary Medical Assistance Team program and technical support to other divisions of the AVMA. These include those divisions that address federal and state legislative and regulatory issues and communicate information to members and the public.

Education and Research

Education and Research benefit the membership of AVMA by providing accreditation for colleges/schools of veterinary medicine in the United States and Canada, and foreign colleges with the means to become AVMA accredited; and providing accreditation for technician programs in the United States, Canada and Puerto Rico. A mechanism to assist foreign veterinary graduates to demonstrate educational equivalence is also furnished. Further, support is available for veterinary specialty boards in administering their programs. Support for the AVMA research goals is provided. The Council on Research establishes research priorities and promotes improved funding for animal health research. The Committee on International Veterinary Affairs studies global issues that impact the veterinary profession and advises the Executive Board on appropriate action.

Animal Welfare

Animal Welfare has been identified as one of the critical issues for the Association, and in response, related strategic planning goals and implementing tactics have been identified. The Animal Welfare Division provides some of the infrastructure and resources to address these goals. The Division's charge is to monitor the science of animal welfare and assist the AVMA in proactively addressing developing issues affecting human-animal interactions (e.g., animal welfare and the human-animal bond). The Division provides in-house scientific reviews of topics of interest, supports the committees that develop AVMA policy on animal welfare and the human-animal bond, and implements approved AVMA policies and strategic tactics.

NOTE 13. DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES (CONTINUED)

Communications

The Communications Division supports the objectives of the AVMA by providing members, state and allied veterinary medical associations, governmental and nongovernmental agencies, industry partners, the media, and the public with information about advances and emerging issues within veterinary medicine and the profession. The Communications Division oversees marketing, crisis communications, public affairs communications, electronic technical communications, media relations, and state legislative and regulatory issues. Members of the Division serve as an in-house resource for many other AVMA divisions such as Convention and Meeting Planning Division, Animal Welfare, and Membership and Field Services Division. The Communications Division has one full-time staff member in the AVMA's Governmental Relations Division. Communications provides support to the Council on Communications, the AVMA/ASVMAE Joint Committee and the State Advocacy Committee.

Governmental Relations

The American Veterinary Medical Association's Governmental Relations Division (GRD) advocates the Association's policies and position on federal legislative and regulatory issues that influence animal and human health and advance the veterinary medical profession. GRD provides staff resources to support two committees within AVMA, the AVMA Legislative Advisory Committee (LAC) and the AVMA Political Action Committee (PAC). GRD administers the Congressional and Executive Branch Science Fellowships for up to three AVMA members to spend a year in Washington, D.C. working in the national government. In addition, the GRD offers third and fourth year veterinary students the opportunity to spend four weeks in Washington, D.C. to be a veterinary student extern learning more about the public policy-making process.

Convention and Meeting Planning

Convention and Meeting Planning supports the objectives of the AVMA to advance the science and art of veterinary medicine by providing quality educational opportunities to the membership. The mission of the AVMA Annual Convention is to involve a greater number of participants from the veterinary community for professional advancements by providing superior veterinary continuing education, a platform for dissemination of recent research and a forum for collegial interaction. Convention and Meeting Planning also manages the annual Leadership Conference held in January each year. This conference gathers current and emerging leaders interested leadership opportunities within veterinary medicine.

NOTE 13. DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES (CONTINUED)

Membership and Field Services

Membership and Field Services manage the following program areas: membership recruitment and retention including membership applications, membership invoices, dues processing, PAC and AVMF contribution processing; membership services such as affinity benefit programs, AVMA online directory and veterinary practice resource center, mailing list rentals, the veterinary career center, veterinary career network and career development programs; AVMA customer service & incoming calls; member, nonmember and student subscriptions; student recruitment programs, student association administration, and student chapter relations programs; and staff support for various governance committees, councils and governance entities, as well as providing an ex-officio Trustee to American Veterinary Medical Association Professional Liability Insurance Trust.

Management and General

Management and General activities include maintaining a professional business operation which administers to the Executive Board, the AVMA membership and staff, and managing the operation of the physical facilities and the financial and budgetary responsibilities of the Association.

NOTE 14. CONCENTRATIONS OF CREDIT RISK

The Association has a lock box depository arrangement with a local bank primarily for the receipt of membership dues. Occasionally, funds in this account exceed federal deposit insurance coverage, which is \$250,000 per financial institution as of December 31, 2010. Collected funds are automatically transferred to investments in government securities. The Association believes this credit risk to be minimal.

NOTE 15. FUNCTIONAL CLASSIFICATION OF EXPENSES

The costs of providing program and other activities are estimated on a functional basis in accordance with generally accepted accounting principals for financial statements of not-for-profit organizations by management as follows:

NOTE 15. FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

	Year Ended December 31, 2010							Total
	Program Services							
	Publications	Scientific Activities/ Education and Research and Animal Welfare	Communications	Governmental Relations	Convention and Meeting Planning	Membership and Field Services	Management and General	
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ 1,860	\$ 240,135	\$ 115,481	\$ 357,476
Depreciation and amortization	138,863	69,431	104,147	135,770	34,716	69,431	277,726	830,084
Employee benefits	372,408	320,997	275,255	111,223	102,428	114,798	487,897	1,785,006
Grants and awards	-	-	-	-	-	-	175,507	175,507
Income taxes - unrelated business activity	-	-	-	-	-	-	27,000	27,000
Occupancy	180,438	90,219	135,328	140,136	45,109	90,219	360,875	1,042,324
Office expenses	-	-	-	55,014	-	-	559,821	614,835
Other	4,187	8,232	2,660	55,905	-	765	209,986	281,735
Political Action Committee	-	-	-	73,235	-	-	-	73,235
Postage, printing and publications	2,259,985	6,902	127,285	-	166,091	187,568	51,764	2,799,595
Professional fees	-	-	-	121,928	-	-	209,418	331,346
Programs, projects and events	-	487,847	726,191	266,572	1,951,668	135,692	-	3,567,970
Salaries and payroll taxes	2,183,684	1,892,155	1,616,845	656,199	599,525	698,833	2,919,904	10,567,145
Travel, meeting and committees	16,996	424,606	39,525	60,129	271,780	177,967	987,327	1,978,330
Total	\$ 5,156,561	\$ 3,300,389	\$ 3,027,236	\$ 1,676,111	\$ 3,173,177	\$ 1,715,408	\$ 6,382,706	\$ 24,431,588

NOTE 15. FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

Year Ended December 31, 2009

	Program Services							Total
	Publications	Scientific Activities/ Education and Research and Animal Welfare	Communications	Governmental Relations	Convention and Meeting Planning	Membership and Field Services	Management and General	
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ 2,070	\$ 168,568	\$ 107,710	\$ 278,348
Depreciation and amortization	144,735	72,367	108,551	143,677	36,184	72,367	289,470	867,351
Employee benefits	396,962	355,849	324,268	130,736	126,038	128,252	538,030	2,000,135
Grants and awards	-	-	-	-	-	-	180,001	180,001
Income taxes - unrelated business activity	-	-	-	-	-	-	-	-
Occupancy	199,454	99,727	149,590	161,969	49,863	99,727	398,907	1,159,237
Office expenses	138,263	69,132	103,697	80,108	34,566	69,132	276,525	771,423
Other	5,673	10,830	3,982	60,966	-	1,452	231,960	314,863
Political Action Committee	-	-	-	93,125	-	-	-	93,125
Postage, printing and publications	2,448,218	7,747	113,681	-	237,492	224,921	58,103	3,090,162
Professional fees	-	-	-	142,147	-	-	260,493	402,640
Programs, projects and events	-	565,992	797,035	223,778	2,490,534	67,454	-	4,144,793
Salaries and payroll taxes	2,152,178	1,896,109	1,749,622	695,581	670,341	696,640	2,862,782	10,723,253
Travel, meeting and committees	22,572	499,520	75,848	91,704	328,880	186,958	1,212,877	2,418,359
Total	\$ 5,508,055	\$ 3,577,273	\$ 3,426,274	\$ 1,823,791	\$ 3,975,968	\$ 1,715,471	\$ 6,416,858	\$ 26,443,690