

THE INSTITUTE OF NAVIGATION
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

**THE INSTITUTE OF NAVIGATION
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YEARS ENDED MARCH 31, 2011 AND 2010**

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INDEPENDENT AUDITORS' REPORT

To the Council
The Institute of Navigation
Manassas, Virginia

We have audited the accompanying statements of financial position of The Institute of Navigation (Institute) as of March 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Institute'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 the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully discussed in Note 9 to the financial statements, the Institute has not properly recorded the activities related to the Mini Urban Challenge program in the financial statements that, in our opinion, should be recorded to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the 2011 financial statements of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Institute of Navigation at March 31, 2011 and 2010, 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.

LarsonAllen LLP
LarsonAllen LLP

Arlington, Virginia
June 1, 2011

(1)



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**THE INSTITUTE OF NAVIGATION
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2011 AND 2010**

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 394,763	\$ 526,222
Contributions Receivable	7,500	-
Prepaid Expenses	75,070	130,779
Total Current Assets	477,333	657,001
INVESTMENTS	3,550,150	2,715,462
PROPERTY AND EQUIPMENT, NET	-	-
OTHER ASSETS	3,000	3,000
DEPOSIT - OFFICE LEASE	5,770	5,770
Total Assets	\$ 4,036,253	\$ 3,381,233
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 62,784	\$ 79,091
Deferred Membership Dues	120,224	108,716
Deferred Exhibit and Registration Fees	189,050	274,393
Deferred Other	129,813	39,906
Total Current Liabilities	501,871	502,106
DEFERRED RENT	6,704	4,390
Total Liabilities	508,575	506,496
COMMITMENTS		
UNRESTRICTED NET ASSETS	3,527,678	2,874,737
Total Liabilities and Net Assets	\$ 4,036,253	\$ 3,381,233

See accompanying Notes to Financial Statements.

**THE INSTITUTE OF NAVIGATION
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2011 AND 2010**

	2011	2010
REVENUE		
Satellite Division's Technical Meeting	\$ 1,105,349	\$ 1,048,291
International Technical Meeting	206,895	207,155
Joint Navigation Conference	341,205	358,600
PLANS	332,235	-
AWS/MAS Workshop	59,175	29,895
Membership	245,976	232,965
Mini Urban Challenge	219,922	46,000
Publications	44,379	41,984
Chapter	54,595	44,435
Interest and Dividends	99,750	77,555
Realized Gains (Losses) on Investments	250,956	(38,388)
Unrealized Gain (Loss) on Investments	(9,075)	832,523
Total Revenue	2,951,362	2,881,015
EXPENSES		
Program Services:		
Satellite Division's Technical Meeting	575,261	693,033
International Technical Meeting	157,608	164,979
Joint Navigation Conference	291,357	281,689
PLANS	294,011	-
AWS/MAS Workshop	16,489	10,756
Membership Services	381,724	709,670
Mini Urban Challenge	254,193	45,784
New Initiatives	28,608	72,995
Government Fellows	150	28,219
Publications	25,480	25,125
Awards	17,734	16,488
Council and Chapters	99,536	80,736
Total Program Services	2,142,151	2,129,474
General and Administrative	156,270	171,245
Total Expenses	2,298,421	2,300,719
CHANGE IN UNRESTRICTED NET ASSETS	652,941	580,296
Unrestricted Net Assets - Beginning of Year	2,874,737	2,294,441
UNRESTRICTED NET ASSETS - END OF YEAR	\$ 3,527,678	\$ 2,874,737

See accompanying Notes to Financial Statements.

**THE INSTITUTE OF NAVIGATION
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Unrestricted Net Assets	\$ 652,941	\$ 580,296
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash (Used) Provided by Operating Activities:		
Unrealized (Gain) Loss on Investments	9,075	(832,523)
Realized (Gains) Losses from Sale of Investments	(250,956)	38,388
Changes in Assets and Liabilities:		
Contributions Receivable	(7,500)	-
Prepaid Expenses	55,709	(75,201)
Deposit	-	10,410
Accounts Payable and Accrued Expenses	(16,307)	(10,708)
Deferred Membership Dues	11,508	547
Deferred Exhibit and Registration Fees	(85,343)	80,463
Deferred Other	89,907	20,450
Deferred Rent	2,314	4,390
Net Cash (Used) Provided by Operating Activities	461,348	(183,488)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,591,401)	(2,534,828)
Proceeds from Sale of Investments	1,998,594	2,754,319
Net Cash (Used) Provided by Investing Activities	(592,807)	219,491
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(131,459)	36,003
 Cash and Cash Equivalents - Beginning of Year	526,222	490,219
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 394,763	\$ 526,222
 SUPPLEMENTAL INFORMATION		
Income Taxes Paid	\$ 1,700	\$ 1,726

See accompanying Notes to Financial Statements.

**THE INSTITUTE OF NAVIGATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010**

NOTE 1 ORGANIZATION

The Institute of Navigation (the "Institute") is a membership organization incorporated in January 1967 for the purpose of advancing the art and science of navigation, positioning and timing through publications, regional and national meetings and through its officers and working committees.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Institute prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Use of Estimates

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

Cash and Cash Equivalents

For financial statement purposes, the Institute considers cash and cash equivalents to include cash in banks and liquid investments with an original maturity of three months or less not included in its investment portfolio. The Council has designated \$59,228 and \$50,732 in cash and cash equivalents for the Satellite Division activities at March 31, 2011 and 2010, respectively.

Investments

Investments are recorded at fair market value.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets of 3 to 7 years. All acquisitions greater than \$3,000 with an expected life exceeding three years are capitalized.

Revenue Recognition

Membership dues of the Institute are recognized as revenue on a pro rata basis during the membership year. The portion of membership dues relating to future periods is reported as deferred revenue. Revenue from meetings is recognized as revenue in the period in which the functions are held.

Allocation of Expenses

The cost of providing various programs and supporting activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**THE INSTITUTE OF NAVIGATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Institute is a not-for-profit organization incorporated in the District of Columbia and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Institute is not a private foundation as defined in Section 509(a)(2).

The Institute's income tax returns are subject to review and examination by Federal and state authorities. The Institute is not aware of any activities that would jeopardize its tax-exempt status. The tax returns for the fiscal years ended 2008 through 2010 are open to examination by Federal and state authorities.

Fair Value of Measurements

The Institute measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs 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 reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Institute may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs the Institute may use to measure fair value are categorized into the following three categories.

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds, that the Institute has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Institute's own assumptions about the factors market participants would use in pricing an investment, and are based on the best information available in the circumstances.

**THE INSTITUTE OF NAVIGATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through June 1, 2011, the date the financial statements were available to be issued.

Reclassifications

Certain 2010 amounts in the accompanying financial statements have been reclassified to conform to the 2011 presentation. Such reclassifications had no impact on net assets or the change in net assets

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Institute to a concentration of credit risk consist of demand deposits placed with financial institutions. At times during the year, the Institute had funds invested with local financial institutions in excess of the Federal Deposit Insurance Corporation limits. The Institute has not experienced any losses on such deposits.

NOTE 4 INVESTMENTS

Investments are reported at their fair market value. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statement of activities. Investments consisted of the following as of March 31, 2011 and 2010:

	2011	2010
Money Market	\$ 416,510	\$ 35
Equity Mutual Funds	1,635,739	1,263,850
Blended Mutual Funds	302,192	215,472
Fixed Income Mutual Funds	1,195,709	1,236,105
	<u>\$ 3,550,150</u>	<u>\$ 2,715,462</u>
Total Investments	<u>\$ 3,550,150</u>	<u>\$ 2,715,462</u>

Investments are designated by the Council as follows:

	2011	2010
Undesignated	\$ 2,811,723	\$ 2,052,459
Designated - Satellite Division	738,427	663,003
	<u>\$ 3,550,150</u>	<u>\$ 2,715,462</u>
Total Investments	<u>\$ 3,550,150</u>	<u>\$ 2,715,462</u>

**THE INSTITUTE OF NAVIGATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010**

NOTE 4 INVESTMENTS (CONTINUED)

The following table presents the Institute's fair value hierarchy (see Note 2) for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and 2010.

	2011			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 1,635,739	\$ -	\$ -	\$ 1,635,739
Blended Mutual Funds	302,192	-	-	302,192
Fixed Income Mutual Funds	1,195,709	-	-	1,195,709
Total	<u>\$ 3,133,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,133,640</u>

	2010			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 1,263,850	\$ -	\$ -	\$ 1,263,850
Blended Mutual Funds	215,472	-	-	215,472
Fixed Income Mutual Funds	1,236,105	-	-	1,236,105
Total	<u>\$ 2,715,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,715,427</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2011 and 2010:

	2011	2010
Furniture and Fixtures	\$ 33,938	\$ 33,938
Equipment	70,710	70,710
	<u>104,648</u>	<u>104,648</u>
Less: Accumulated Depreciation	<u>(104,648)</u>	<u>(104,648)</u>
Net Property and Equipment	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 UNRESTRICTED NET ASSETS

The Council has designated funds for Satellite Division activities. Unrestricted net assets as of March 31, 2011 and 2010 include the following components:

	2011	2010
Designated - Satellite Division	\$ 797,655	\$ 713,735
Undesignated	2,730,023	2,161,002
Total Unrestricted Net Assets	<u>\$ 3,527,678</u>	<u>\$ 2,874,737</u>

**THE INSTITUTE OF NAVIGATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010**

NOTE 7 RETIREMENT PLAN

The Institute has a defined contribution plan that covers all eligible employees. Under the terms of the plan, the Institute will match participant contributions up to a maximum of 7%. In 2009, the Council approved an additional contribution of 10% of employees' salary to the plan. Total retirement expense for the years ended March 31, 2011 and 2010, was \$69,755 and \$85,105, respectively.

NOTE 8 COMMITMENTS

Office Lease

The Institute has a non-cancelable operating lease for its office space that will expire on April 30, 2015. The lease includes a clause for rent escalation of 3% per year. Rent expense for the years ended March 31, 2011 and 2010, was \$73,629 and \$73,628, respectively. Future minimum rental payments over the lease term are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2012	\$ 73,455
2013	75,658
2014	77,928
2015	<u>6,689</u>
Total	<u>\$ 233,730</u>

Hotel and Convention Center Commitments

The Institute has entered into several agreements with hotels and convention centers providing for room accommodations for its meetings and conventions through the fiscal year 2014. Many of these agreements contain clauses whereby the Institute is liable for liquidated damages in the event of cancellation. At March 31, 2011 the maximum potential amount of liquidated damages is approximately \$1,400,000.

NOTE 9 REPORT QUALIFICATION

The Institute has elected to record all the 2011 calendar year activities related to the Mini Urban Challenge program as fiscal year 2012 activities, and therefore the 2011 financial statements do not conform to accounting principles generally accepted in the United States of America. The effects of not recording the activities in the 2011 financial statements are as follows:

Prepaid Expenses	\$	(30,616)
Accounts Payable		11,596
Deferred Revenue Other		(80,350)
Temporarily Restricted Net Assets		80,350
Unrestricted Net Assets		(42,212)
Temporarily Restricted Contributions		80,350
Mini Urban Challenge Program Expenses		42,212