

Audited Financial Statements
Physician Assistant Foundation
of the
American Academy of Physician Assistants

December 31, 2016

**Physician Assistant Foundation
of the American Academy of Physician Assistants**

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T A T E



T R Y O N

A Professional Corporation

Certified Public

Accountants

and Consultants

Independent Auditor's Report

To the Board of Trustees
Physician Assistant Foundation
of the American Academy of Physician Assistants

We have audited the accompanying financial statements of Physician Assistant Foundation of the American Academy of Physician Assistants (the Foundation), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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 the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Physician Assistant Foundation of the American Academy of Physician Assistants as of December 31, 2016 and 2015, 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.

Washington, DC
March 9, 2017

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**Physician Assistant Foundation
of the American Academy of Physician Assistants**

Statements of Financial Position

December 31,	2016	2015
Assets		
Cash and cash equivalents	\$ 33,438	\$ 84,590
Investments	2,952,592	3,034,609
Accounts receivable	20,299	3,969
Prepaid expenses	-	450
Total assets	\$ 3,006,329	\$ 3,123,618
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 19,999	\$ 15,087
Due to AAPA	33,579	38,680
Total liabilities	53,578	53,767
Net assets		
Unrestricted		
Undesignated	1,224,400	611,213
Designated	-	507,086
	1,224,400	1,118,299
Temporarily restricted	762,423	985,624
Permanently restricted	965,928	965,928
Total net assets	2,952,751	3,069,851
Total liabilities and net assets	\$ 3,006,329	\$ 3,123,618

**Physician Assistant Foundation
of the American Academy of Physician Assistants**

Statement of Activities

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Corporate support	\$ 227,350	\$ 70,500	\$ -	\$ 297,850
Individual support	170,989	49,989		220,978
Investment income	40,706	39,907		80,613
Grants		15,000		15,000
Net assets released from restrictions due to satisfaction of time or purpose restrictions	398,597	(398,597)		-
Total revenue and support	837,642	(223,201)	-	614,441
Expense				
Program services				
Grants	155,685			155,685
Scholarships	124,869			124,869
Total program services	280,554			280,554
Supporting services				
General and administrative	242,558			242,558
Fund raising	208,429			208,429
Total supporting services	450,987	-	-	450,987
Total expense	731,541	-	-	731,541
Change in net assets	106,101	(223,201)	-	(117,100)
Net assets, beginning of year	1,118,299	985,624	965,928	3,069,851
Net assets, end of year	\$ 1,224,400	\$ 762,423	\$ 965,928	\$ 2,952,751

**Physician Assistant Foundation
of the American Academy of Physician Assistants**

Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Corporate support	\$ 107,771	\$ 291,663	\$ -	\$ 399,434
Individual support	114,080	49,180		163,260
Investment loss	(16,701)	(18,403)		(35,104)
Net assets released from restrictions due to satisfaction of time or purpose restrictions	292,848	(292,848)		-
Total revenue and support	497,998	29,592	-	527,590
Expense				
Program services				
Grants	159,691			159,691
Scholarships	156,904			156,904
Total program services	316,595			316,595
Supporting services				
General and administrative	333,873			333,873
Fund raising	216,652			216,652
Total supporting services	550,525	-	-	550,525
Total expense	867,120	-	-	867,120
Change in net assets	(369,122)	29,592	-	(339,530)
Net assets, beginning of year	1,487,421	831,032	1,090,928	3,409,381
Net assets transfer - Note E		125,000	(125,000)	-
Net assets, end of year	\$ 1,118,299	\$ 985,624	\$ 965,928	\$ 3,069,851

See notes to the financial statements.

**Physician Assistant Foundation
of the American Academy of Physician Assistants**

Statements of Cash Flows

Year Ended December 31,	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (117,100)	\$ (339,530)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net (gain) loss on investments	(32,731)	121,083
Changes in assets and liabilities:		
Accounts receivable	(16,330)	1,130
Prepaid expenses and other assets	450	(450)
Accounts payable and accrued expenses	4,912	15,087
Due to AAPA	(5,101)	(11,897)
Total adjustments	(48,800)	124,953
Net cash used in operating activities	(165,900)	(214,577)
Cash flows from investing activities		
Proceeds from sale of investments	1,619,692	39,450
Purchases of investments	(1,504,944)	(87,861)
Net cash used in investing activities	114,748	(48,411)
Net decrease in cash and cash equivalents	(51,152)	(262,988)
Cash and cash equivalents, beginning of year	84,590	347,578
Cash and cash equivalents, end of year	\$ 33,438	\$ 84,590

Physician Assistant Foundation of the American Academy of Physician Assistants

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Physician Assistant Foundation of the American Academy of Physician Assistants (the Foundation) is a non-profit organization established in 1978 and operates exclusively for charitable, educational, research, and community-based purposes. The Foundation is organized as the philanthropic arm of the American Academy of Physician Assistants (AAPA), a tax-exempt organization whose mission is to ensure the professional growth, personal excellence, and recognition of physician assistants, and to support their efforts to enable them to improve the quality, accessibility, and cost-effectiveness of patient-centered health care. The Foundation's mission is to develop and allocate resources that empower the physician assistant (PA) profession to impact the health and wellness of communities it serves.

Income taxes: The Foundation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as other than a private foundation under Section 509(a)(3) of the IRC.

Basis of accounting: The accompanying financial statements have been prepared using the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation is 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 and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: For financial statement purposes, the Foundation considers demand accounts and highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Receivables: Receivables are carried at original invoice amounts for trade receivables and contribution amounts for promises to give, less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts receivable. Receivables are written-off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received. There is no provision for doubtful accounts at December 31, 2016 and 2015, as management believes that all receivables are fully collectible.

Net assets:

Unrestricted - Unrestricted net assets represent net assets not restricted by donors for a specific purpose, even though their use may be limited in other respects, such as board designation.

Temporarily restricted - Temporarily restricted net assets represent net assets that have been restricted by the donor for a specified period of time or for a specific purpose. See Note E for details regarding temporarily restricted net assets.

Permanently restricted - Permanently restricted net assets represent contributions that must be maintained in perpetuity by the Foundation. See Notes F and G for details regarding permanently restricted net assets and prior year transfer.

Physician Assistant Foundation of the American Academy of Physician Assistants

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions: Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

Subsequent events: Subsequent events have been evaluated through March 9, 2017, which is the date the financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: The Foundation maintains its cash in demand accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these balances.

Market value risk: The Foundation invests funds in professionally managed portfolios that are exposed to various risks, such as interest rate, credit, and market value risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements. As a result, investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

C. INVESTMENTS

In accordance with accounting principles generally accepted in the United States of America, the Foundation uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes;

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the Foundation's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Physician Assistant Foundation of the American Academy of Physician Assistants

Notes to the Financial Statements

C. INVESTMENTS - CONTINUED

Investments recorded at fair value include mutual funds and exchange traded funds, which are valued using Level 1 inputs based on quoted prices for identical assets in active markets. Management believes the estimated fair values on investments to be a reasonable approximation of their exit price. Money market funds are recorded at cost.

Investments consist of the following at December 31,:

	2016	2015
Investments, at fair value		
Mutual funds - equities	\$ 1,833,399	\$ 1,799,670
Mutual funds - fixed income	25,089	150,515
Exchange traded funds - fixed income	1,023,928	1,028,474
	2,882,416	2,978,659
Investments, at cost		
Money market	70,176	55,950
	\$ 2,952,592	\$ 3,034,609

Investment activity consists of the following for the years ended December 31,:

2016	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 35,845	\$ 35,070	\$ 70,915
Net loss on investments	16,481	16,250	32,731
Investment fees	(11,620)	(11,413)	(23,033)
	\$ 40,706	\$ 39,907	\$ 80,613

2015	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 7,416	\$ 102,574	\$ 109,990
Net loss on investments	(12,247)	(108,836)	(121,083)
Investment fees	(11,870)	(12,141)	(24,011)
	\$ (16,701)	\$ (18,403)	\$ (35,104)

Physician Assistant Foundation of the American Academy of Physician Assistants

Notes to the Financial Statements

D. RELATED PARTY TRANSACTIONS

AAPA provides general and administrative services and other support to the Foundation. These expenses include salaries and related benefits of AAPA employees devoting time and effort working for the Foundation, allocable rent, utilities, office equipment, and other general administrative expenses, such as financial accounting and reporting. For the years ended December 31, 2016 and 2015, these expenses approximated \$80,000, annually.

In addition, AAPA made contributions totaling \$57,134 to the Foundation during the year ended December 31, 2016.

E. TEMPORARILY RESTRICTED NET ASSETS

The Foundation has received contributions temporarily restricted by donors for the following purposes.

Scholarship Program: Annually, selected students in the PA program are awarded scholarships in amounts ranging from \$500 to \$6,000 each. In 2015, upon request of the Foundation, the Attorney General of the Commonwealth of Virginia approved the change of the Bristol-Myers and Procter & Gamble contributions from permanently restricted to temporarily restricted.

Corporate Council Program: The Foundation solicits funds from corporate partners to support the work of the Foundation. Based on the amounts, the corporate partners receive different levels of media recognition for the year designated. Amounts received prior to the year of recognition are accumulated under temporarily restricted net assets until the year of recognition.

PAF Program Fund: Donor restricted contributions which fund a variety of programs, generally in the form of private grants, that support domestic and global community outreach projects.

Chevron Houston and Global Programs: Chevron provided funding so that physician assistants can travel and educate citizens in areas that lack adequate health care, both in the United States and abroad. With input from Chevron, the Foundation developed and implemented a community health program, the Community Health Navigators, in the Harris County, (Houston) Texas region. Based on the success of the project in the Houston area, Chevron provided additional funding to support organizations or individuals that work to improve the quality of life in developing countries by creating sustainable development in the areas of health care or health education.

Temporarily restricted net assets consist of the following at December 31, 2016:

	Contributions / Investment				2016
	2015	Income	Transfers	Releases	
Endowment Funds (See Note F)	\$ 414,431	\$ 39,907	\$ -	\$ (31,000)	\$ 423,338
Scholarship Program	296,284	63,998		(100,430)	259,852
Corporate Council Program	261,667	60,000		(261,667)	60,000
PAF Program Fund	12,959	11,491		(5,217)	19,233
Chevron Houston / Global Programs	283			(283)	-
	\$ 985,624	\$ 175,396	\$ -	\$ (398,597)	\$ 762,423

Physician Assistant Foundation of the American Academy of Physician Assistants

Notes to the Financial Statements

E. TEMPORARILY RESTRICTED NET ASSETS - CONTINUED

Temporarily restricted net assets consist of the following at December 31, 2015:

	2014	Contributions / Investment (Loss) Income	Transfers	Releases	2015
Endowment Funds (See Note F)	\$ 474,132	\$ (18,403)	\$ -	\$ (41,298)	\$ 414,431
Scholarship Program	251,685	61,099	125,000	(141,500)	296,284
Corporate Council Program	80,000	270,000		(88,333)	261,667
PAF Program Fund	15,415	9,744		(12,200)	12,959
Chevron Houston / Global Programs	9,800			(9,517)	283
	\$ 831,032	\$ 322,440	\$ 125,000	\$ (292,848)	\$ 985,624

F. PERMANENTLY RESTRICTED NET ASSETS

The Foundation has received contributions permanently restricted by donors for the following purposes.

PAF General Fund: This fund was established by individual and corporate contributions for the general scholarship program. Income from these contributions support annual scholarships.

Pedersen Global Outreach: The Pedersen Family Foundation established this endowment in 2005, with an initial amount of \$100,000, and the Pedersen family continues to contribute to this endowment. The income from this endowment provides grants to support projects that involve PA's or PA students in an international setting.

Nebraska: Nebraska Academy of Physician Assistants established this endowment fund from Nebraska PA Foundation to the Foundation in 2009. The income from this endowment fund is used to provide scholarships for students attending PA programs in Nebraska.

NCCPA: National Commission on Certification of Physician Assistants (NCCPA) contributed \$100,000 to create this endowment. The income from this endowment is used to fund scholarships granted as part of the general scholarship program.

Breitman-Dorn: In 1998, a donation of \$40,000 established this endowment fund. Income from this endowment fund assists in funding an annual \$3,000 research fellowship that provides financial assistance to a doctoral candidate, whose dissertation contributes to research on the influence of physician assistants in medical care.

LBGT PA: The Lesbian, Bisexual, Gay and Transgender Physician Assistant Caucus of the AAPA (LBGT PA) created this endowment. Income from this endowment is intended to support self-identified LBGT PA students to attend AAPA's Annual PA Conference.

Bristol-Meyers: Bristol-Meyers contributed \$75,000 to establish this endowment. The income from this endowment is used to fund scholarships granted as part of the general scholarship program. In 2015, upon request of the Foundation, the Attorney General of the Commonwealth of Virginia approved the change of these contributions from permanently restricted to temporarily restricted.

Physician Assistant Foundation of the American Academy of Physician Assistants

Notes to the Financial Statements

F. PERMANENTLY RESTRICTED NET ASSETS - CONTINUED

Procter and Gamble: Procter and Gamble contributed \$50,000 to create this endowment fund in 2005. Income from this endowment fund provides the funding for two physician assistant student scholarships awarded on an annual basis. In 2015, upon request of the Foundation, the Attorney General of the Commonwealth of Virginia approved the change of these contributions from permanently restricted to temporarily restricted.

Permanently restricted net assets consist of the following at December 31,:

	2015	Contributions	Transfer	2016
PAF General Fund	\$ 492,876	\$ -	\$ -	\$ 492,876
Pedersen Global Outreach	201,935			201,935
Nebraska	107,115			107,115
NCCPA	100,000			100,000
Bristol-Meyers	40,000			40,000
Procter and Gamble	24,002			24,002
	\$ 965,928	\$ -	\$ -	\$ 965,928

	2014	Contributions	Transfer	2015
PAF General Fund	\$ 492,876	\$ -	\$ -	\$ 492,876
Pedersen Global Outreach	201,935			201,935
Nebraska	107,115			107,115
NCCPA	100,000			100,000
Breitman-Dorn	40,000			40,000
LBGT PA	24,002			24,002
Bristol-Meyers	75,000		(75,000)	-
Procter and Gamble	50,000		(50,000)	-
	\$ 1,090,928	\$ -	\$ (125,000)	\$ 965,928

G. ENDOWMENT NET ASSETS

The management of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of cash gifts donated to permanent endowment and (b) the discounted value of future gifts promised to permanent endowment, net of allowance for uncollectible pledges. The remaining portion of donor-restricted endowment funds not classified in permanently restricted net assets is classified in temporarily restricted net assets, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Physician Assistant Foundation of the American Academy of Physician Assistants

Notes to the Financial Statements

G. ENDOWMENT NET ASSETS - CONTINUED

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund,
- the purposes of the Foundation and the donor-restricted endowment fund,
- general economic conditions,
- the possible effect of inflation and deflation,
- the expected total return from income and the appreciation of investments,
- other resources of the Foundation, and
- the investment policies of the Foundation.

The Foundation has an investment policy specific for its endowment funds, which is monitored by the Finance Committee of the Board of Trustees. The investment policy describes the objective for the funds and sets ranges for asset allocation. The objective of the endowment funds is to maintain the original principal, obtain a reasonable and competitive return on assets, and to ensure a reasonable degree of liquidity, consistent with acceptance of prudent risk.

The investment objective of each endowment fund is to generate sufficient income to support its respective annual scholarship or grant. Investments held by endowment funds may include fixed income instruments with credit ratings BBB and higher, mutual funds, and cash equivalents. These investments should exclude common stocks, short positions, private equity, commodities, options, securities not readily marketable, real estate, tax-exempt securities, leveraged transactions or non-U.S. dollar denominated securities, unless they are within a well-diversified mutual fund.

During the year ended December 31, 2016, the Board of Trustees passed a motion to remove the designation from board designated net assets and present all unrestricted net assets under the same classification. The motion does not affect the Board of Trustees' authority to designate funds for specific purposes in the future.

Endowment fund activity consists of the following for the year ended December 31, 2016:

	Board Designated Endowment	Temporarily Restricted	Permanently Restricted	Total
Net assets, December 31, 2015	\$ 502,086	\$ 414,431	\$ 965,928	\$ 1,882,445
Contributions				-
Investment loss		39,907		39,907
Transfers	(502,086)			(502,086)
Appropriation of endowment assets for expenditure		(31,000)		(31,000)
Net assets, December 31, 2016	\$ -	\$ 423,338	\$ 965,928	\$ 1,389,266

Physician Assistant Foundation of the American Academy of Physician Assistants

Notes to the Financial Statements

G. ENDOWMENT NET ASSETS - CONTINUED

Endowment fund activity consists of the following for the year ended December 31, 2015:

	Board Designated Endowment	Temporarily Restricted	Permanently Restricted	Total
Net assets, December 31, 2014	\$ 508,060	\$ 474,132	\$ 1,090,928	\$ 2,073,120
Contributions				-
Investment income	(5,974)	(18,403)		(24,377)
Transfers			(125,000)	(125,000)
Appropriation of endowment assets for expenditure		(41,298)		(41,298)
Net assets, December 31, 2015	\$ 502,086	\$ 414,431	\$ 965,928	\$ 1,882,445

H. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at December 31,:

	2015	Contributions / Investment Loss	Transfers	Releases	2016
Board designated Endowment	\$ 502,086	\$ -	\$ (502,086)	\$ -	\$ -
Other board designated funds	5,000		(5,000)		-
	\$ 507,086	\$ -	\$ (507,086)	\$ -	\$ -

	2014	Contributions / Investment Income	Transfers	Releases	2015
Board designated Endowment	\$ 508,060	\$ (5,974)	\$ -	\$ -	\$ 502,086
Other board designated funds	5,000				5,000
	\$ 513,060	\$ (5,974)	\$ -	\$ -	\$ 507,086

Physician Assistant Foundation of the American Academy of Physician Assistants

Notes to the Financial Statements

I. RECLASSIFICATIONS

Certain 2015 amounts have been reclassified in order for the 2015 statement of activities to conform to the presentation in the 2016 statement of activities. Amounts reported in the December 31, 2015 statement of activities were reclassified as follows for the year ended December 31, 2016:

	2015 as Previously Reported	Reclassifications	2015 as Currently Reported
Unrestricted activities			
Revenue and support			
Investment loss	\$ (11,093)	\$ (24,011)	\$ (35,104)
Expense			
Program services			
Grants	\$ 107,243	\$ 52,448	\$ 159,691
Scholarships	\$ 127,705	\$ 29,199	\$ 156,904
Other	\$ 61,600	\$ (61,600)	\$ -
Supporting services			
General and administrative	\$ 476,430	\$ (142,557)	\$ 333,873
Fund raising	\$ 118,153	\$ 98,499	\$ 216,652