

Physician Associate Foundation of the American Academy of Physician Associates

Financial Report
December 31, 2022

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Physician Associate Foundation
of the American Academy of Physician Associates

Opinion

We have audited the financial statements of Physician Associate Foundation of the American Academy of Physician Associates (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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). 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 the Foundation 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued.

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 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, 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 the Foundation's 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 the Foundation's 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 audits.

RSM US LLP

McLean, Virginia
May 10, 2023

Physician Associate Foundation of the American Academy of Physician Associates

Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,122,722	\$ 97,033
Investments	3,606,293	4,182,784
Due from AAPA	-	11,040
Contributions receivable	8,277	9,087
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Total assets	\$ 4,737,292	\$ 4,299,944
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 49,114	\$ 22,592
Due to AAPA	487,146	-
Refundable advances	339,164	-
Total liabilities	875,424	22,592
Net assets:		
Without donor restrictions	1,084,804	1,044,983
With donor restrictions	2,777,064	3,232,369
Total net assets	3,861,868	4,277,352
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Total liabilities and net assets	\$ 4,737,292	\$ 4,299,944

See notes to financial statements.

Physician Associate Foundation of the American Academy of Physician Associates

Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Corporate support	\$ 147,193	\$ 138,586	\$ 285,779
Individual support	234,426	57,633	292,059
Grants	476,227	374,298	850,525
Other income	84,000	-	84,000
Contributions of nonfinancial assets	178,382	-	178,382
Investment loss, net	(273,047)	(301,479)	(574,526)
Net assets released from restrictions due to satisfaction of program restrictions	724,343	(724,343)	-
Total revenue and support	1,571,524	(455,305)	1,116,219
Expenses:			
Program services:			
Grants	710,358	-	710,358
Scholarships	185,347	-	185,347
Total program services	895,705	-	895,705
Supporting services:			
General and administrative	403,196	-	403,196
Fundraising	232,802	-	232,802
Total supporting services	635,998	-	635,998
Total expenses	1,531,703	-	1,531,703
Change in net assets	39,821	(455,305)	(415,484)
Net assets:			
Beginning	1,044,983	3,232,369	4,277,352
Ending	\$ 1,084,804	\$ 2,777,064	\$ 3,861,868

See notes to financial statements.

Physician Associate Foundation of the American Academy of Physician Associates

Statement of Activities

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Corporate support	\$ 105,262	\$ 301,266	\$ 406,528
Individual support	119,925	109,309	229,234
Grants	25,500	68,000	93,500
Contributions of nonfinancial assets	198,397	-	198,397
Investment return, net	166,247	220,371	386,618
Net assets released from restrictions due to satisfaction of program restrictions	290,220	(290,220)	-
Total revenue and support	905,551	408,726	1,314,277
Expenses:			
Program services:			
Grants	291,601	-	291,601
Scholarships	197,437	-	197,437
Patient education	608	-	608
Total program services	489,646	-	489,646
Supporting services:			
General and administrative	359,453	-	359,453
Fundraising	180,995	-	180,995
Total supporting services	540,448	-	540,448
Total expenses	1,030,094	-	1,030,094
Change in net assets	(124,543)	408,726	284,183
Net assets:			
Beginning	1,169,526	2,823,643	3,993,169
Ending	\$ 1,044,983	\$ 3,232,369	\$ 4,277,352

See notes to financial statements.

Physician Associate Foundation of the American Academy of Physician Associates

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services		Supporting Services		Total
	Grants	Scholarships	General and Administrative	Fundraising	
Personnel	\$ 89,021	\$ 59,347	\$ 135,331	\$ 135,287	\$ 418,986
Awards and contributions	130,728	117,500	344	723	249,295
Professional and subcontractor fees	474,097	-	189,129	47,488	710,714
Travel	9,494	-	8,525	7,460	25,479
Occupancy	227	-	45,434	914	46,575
Meetings and conferences	2,686	-	8,185	27,417	38,288
Postage and subscriptions	702	8,500	11,411	2,930	23,543
Other expenses	3,128	-	4,144	4,524	11,796
Supplies	275	-	693	6,059	7,027
Total	\$ 710,358	\$ 185,347	\$ 403,196	\$ 232,802	\$ 1,531,703

See notes to financial statements.

Physician Associate Foundation of the American Academy of Physician Associates

**Statement of Functional Expenses
Year Ended December 31, 2021**

	Program Services			Supporting Services		Total
	Grants	Scholarships	Patient Education	General and Administrative	Fundraising	
Personnel	\$ 101,261	\$ 59,472	\$ -	\$ 163,261	\$ 142,606	\$ 466,600
Awards and contributions	98,339	110,750	500	-	1,281	210,870
Professional and subcontractor fees	81,939	12,086	82	145,612	16,055	255,774
Travel	-	-	-	1,310	2,706	4,016
Occupancy	7,840	14,380	26	20,974	9,002	52,222
Meetings and conferences	-	-	-	951	55	1,006
Postage and subscriptions	558	749	-	15,576	6,455	23,338
Other expenses	1,664	-	-	8,037	39	9,740
Supplies	-	-	-	3,732	2,796	6,528
Total	\$ 291,601	\$ 197,437	\$ 608	\$ 359,453	\$ 180,995	\$ 1,030,094

See notes to financial statements.

Physician Associate Foundation of the American Academy of Physician Associates

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (415,484)	\$ 284,183
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized loss (gain) on investments	642,604	(357,311)
Endowment contributions	(4,700)	(4,700)
Changes in assets and liabilities:		
Decrease in:		
Contributions receivable	810	6,162
Increase (decrease) in:		
Accounts payable and accrued expenses	26,522	(40,845)
Due to/from AAPA	498,186	(46,373)
Refundable advances	339,164	-
Net cash provided by (used in) operating activities	1,087,102	(158,884)
Cash flows from investing activities:		
Proceeds from sale of investments	(2,353,553)	1,229,782
Purchases of investments	2,287,440	(1,490,923)
Net cash used in investing activities	(66,113)	(261,141)
Cash flows from financing activities:		
Endowment contributions received	4,700	4,700
Net cash provided by financing activities	4,700	4,700
Net increase (decrease) in cash and cash equivalents	1,025,689	(415,325)
Cash and cash equivalents:		
Beginning	97,033	512,358
Ending	\$ 1,122,722	\$ 97,033

See notes to financial statements.

Physician Associate Foundation of the American Academy of Physician Associates

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Physician Associate Foundation of the American Academy of Physician Associates (the Foundation), formerly Physician Assistant Foundation of the American Academy of Physician Assistants, is a nonprofit 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 Associates (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.

A summary of the Foundation's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors.

Net assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Endowment net assets with donor restrictions include a stipulation that assets provided be maintained in perpetuity while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations.

Income taxes: The Foundation is organized as a nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRC Section 501(a) as an organization described in Internal Revenue Code (IRC) Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 10(b)(1)(A)(viii), and has been determined not to be a private foundation under IRC Sections 509(a)(3). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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.

Investments: Investments with readily determinable fair values are reflected at fair value. The change in the fair value of investments, interest and dividends and realized and unrealized gains and losses are included in investment income in the accompanying statements of activities.

Financial risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant financial risk on cash.

Physician Associate Foundation of the American Academy of Physician Associates

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

Contributions receivable: 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. All receivables are due within the coming year. 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, 2022 and 2021, as management believes that all receivables are fully collectible.

Contributions and grants: Contributions and grants include unconditional contributions from individuals and various organizations. Revenue is recognized when an unconditional donation is received or when an unconditional promise is made.

Unconditional contributions are recorded as with donor restrictions or without donor restrictions, depending upon the existence and/or nature of any donor intent. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions and then reclassified to net assets without donor restrictions when the restriction expires.

Conditional gifts, with measurable performance or other barrier and right of return are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. Conditional gifts that are received prior to the conditions being met are recorded as refundable advances on the statements of financial position. Grants on a cost-reimbursement basis are recognized as revenue as costs qualified under the grants are incurred.

Adopted accounting pronouncement: In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU addresses presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets. The Foundation adopted this guidance on a retrospective basis for the year ended December 31, 2022. The adoption of this guidance had no impact on the statements of financial position or the statements of activities.

Functional allocation of expense: The costs of providing various program and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, costs primarily associated with personnel have been allocated among the program and supporting services on the basis of the labor costs utilized by each area. Other costs are allocated on the basis of the direct expenses of the program and supporting services.

Subsequent events: The Foundation has evaluated subsequent events through May 10, 2023, the date on which the financial statements were available to be issued.

Physician Associate Foundation of the American Academy of Physician Associates

Notes to Financial Statements

Note 2. Liquidity and Availability

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2022 and 2021, the following financial assets are available within one year to meet cash needs for general expenditures:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,122,722	\$ 97,033
Investments	3,606,293	4,182,784
Due from AAPA	-	11,040
Contributions receivable	8,277	9,087
Financial assets	<u>4,737,292</u>	<u>4,299,944</u>
Less contractual or donor-imposed restrictions making financial assets unavailable for general expenditure:		
Net assets with donor restrictions	<u>(2,777,064)</u>	<u>(3,232,369)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,960,228</u>	<u>\$ 1,067,575</u>

Note 3. Investments

In accordance with U.S. GAAP, 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.

Investments recorded at fair value include mutual funds and exchange-traded funds which are all 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.

Physician Associate Foundation of the American Academy of Physician Associates

Notes to Financial Statements

Note 3. Investments (Continued)

Investments at December 31, 2022 and 2021, consist of the following:

	2022	2021
Investments at fair value:		
Equity funds (Level 1)	\$ 2,083,708	\$ 2,604,798
Fixed income funds (Level 1)	1,398,309	1,367,766
	<u>3,482,017</u>	<u>3,972,564</u>
Investments at cost:		
Money market	124,276	210,220
	<u>\$ 3,606,293</u>	<u>\$ 4,182,784</u>

Net investment (loss) return for the years ended December 31, 2022 and 2021, consists of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 45,569	\$ 50,020	\$ 95,589
Realized and unrealized loss on investments	(306,477)	(336,127)	(642,604)
Investment fees	(12,139)	(15,372)	(27,511)
	<u>\$ (273,047)</u>	<u>\$ (301,479)</u>	<u>\$ (574,526)</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 12,279	\$ 46,092	\$ 58,371
Realized and unrealized gain on investments	165,662	191,649	357,311
Investment fees	(11,694)	(17,370)	(29,064)
	<u>\$ 166,247</u>	<u>\$ 220,371</u>	<u>\$ 386,618</u>

Note 4. Related-Party Transactions and Contributed Nonfinancial Assets

AAPA provides 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. During 2022 and 2021, AAPA contributed \$50,000 to the Foundation in lieu of charging them for the services. Accordingly, the services and other support are recorded as donated services to the Foundation. For the years ended December 31, 2022 and 2021, approximately \$178,000 and \$198,000, respectively, was donated to the Foundation by AAPA and are included in contributions revenue and program and supporting service expenses in the accompanying statements of activities.

Physician Associate Foundation of the American Academy of Physician Associates

Notes to Financial Statements

Note 5. Net Assets With Donor Restrictions and Endowment Funds

The change in net assets with donor restrictions for the year ended December 31, 2022, consisted of the following:

	Beginning Balance	Revenue/(Loss)	Releases/ Appropriations	Ending Balance
Subject to expenditure for specified purpose:				
Scholarship Program	\$ 876,683	\$ 545,137	\$ (597,343)	\$ 824,477
Corporate Alliance Program	90,000	-	(90,000)	-
PAF Program Fund	44,794	1,286	(37,000)	9,080
	<u>1,011,477</u>	<u>546,423</u>	<u>(724,343)</u>	<u>833,557</u>
Endowments:				
Unappropriated accumulated income	1,000,538	(282,085)	-	718,453
Amounts required to be maintained in perpetuity	1,220,354	4,700	-	1,225,054
	<u>2,220,892</u>	<u>(277,385)</u>	<u>-</u>	<u>1,943,507</u>
	<u>\$ 3,232,369</u>	<u>\$ 269,038</u>	<u>\$ (724,343)</u>	<u>\$ 2,777,064</u>

The change in net assets with donor restrictions for the year ended December 31, 2021, consisted of the following:

	Beginning Balance	Revenue	Releases/ Appropriations	Ending Balance
Subject to expenditure for specified purpose:				
Scholarship Program	\$ 679,410	\$ 373,401	\$ (176,128)	\$ 876,683
Corporate Alliance Program	90,000	90,000	(90,000)	90,000
PAF Program Fund	38,903	23,311	(17,420)	44,794
	<u>808,313</u>	<u>486,712</u>	<u>(283,548)</u>	<u>1,011,477</u>
Endowments:				
Unappropriated accumulated income	799,676	207,534	(6,672)	1,000,538
Amounts required to be maintained in perpetuity	1,215,654	4,700	-	1,220,354
	<u>2,015,330</u>	<u>212,234</u>	<u>(6,672)</u>	<u>2,220,892</u>
	<u>\$ 2,823,643</u>	<u>\$ 698,946</u>	<u>\$ (290,220)</u>	<u>\$ 3,232,369</u>

The Foundation has received contributions 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.

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.

Physician Associate Foundation of the American Academy of Physician Associates

Notes to Financial Statements

Note 5. Net Assets With Donor Restrictions and Endowment Funds (Continued)

Corporate Alliance 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.

Endowment composition: Endowment net assets at December 31, 2022 and 2021, consisted of the following:

	2022		
	Unappropriated Income	Maintained In Perpetuity	Total
PAF General Endowment Fund	\$ 580,958	\$ 491,876	\$ 1,072,834
Robert K. Pedersen Global Outreach Endowment	12,584	204,935	217,519
W. Marquardt Scholarship Endowment	22,458	200,000	222,458
Nebraska Endowment Fund	30,954	123,015	153,969
NCCPA Endowed Scholarship Fund	28,606	140,000	168,606
The Jerald A. Breitman & Stephen J. Dorn Endowed Research Fellowship	23,363	40,100	63,463
LBGPA Endowment Fund	19,530	25,128	44,658
	<u>\$ 718,453</u>	<u>\$ 1,225,054</u>	<u>\$ 1,943,507</u>
	2021		
	Unappropriated Income	Maintained In Perpetuity	Total
PAF General Endowment Fund	\$ 719,298	\$ 491,876	\$ 1,211,174
Robert K. Pedersen Global Outreach Endowment	51,731	203,935	255,666
W. Marquardt Scholarship Endowment	58,191	200,000	258,191
Nebraska Endowment Fund	54,755	119,315	174,070
NCCPA Endowed Scholarship Fund	56,148	140,000	196,148
The Jerald A. Breitman & Stephen J. Dorn Endowed Research Fellowship	33,653	40,100	73,753
LBGPA Endowment Fund	26,762	25,128	51,890
	<u>\$ 1,000,538</u>	<u>\$ 1,220,354</u>	<u>\$ 2,220,892</u>

Endowment fund descriptions: The Foundation has received contributions permanently restricted by donors for the following purposes:

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

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

Physician Associate Foundation of the American Academy of Physician Associates

Notes to Financial Statements

Note 5. Net Assets With Donor Restrictions and Endowment Funds (Continued)

W. Marquart Scholarship Endowment: This endowment was established in 2020 with an initial amount of \$200,000. The income from this endowment provides scholarships and fellowships recognizing PA students and practicing PAs dedicated to working with patients in communities lacking access to adequate healthcare providers and services.

Nebraska Endowment Fund: 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 Endowed Scholarship Fund: 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.

The Jerald A. Breitman & Stephen J. Dorn Endowed Research Fellowship: 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.

LBGPA Endowment Fund: 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.

Interpretation of relevant law: The management of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted in the Commonwealth of Virginia, 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 net assets with donor restrictions to be held in perpetuity: (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 net assets with donor restrictions to be held in perpetuity is in net assets with donor restrictions—unappropriated income, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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
- The investment policies of the foundation

Physician Associate Foundation of the American Academy of Physician Associates

Notes to Financial Statements

Note 5. Net Assets With Donor Restrictions and Endowment Funds (Continued)

Return objectives and risk parameters: 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 principle, obtain a reasonable and competitive return on assets and to ensure a reasonable degree of liquidity, consistent with acceptance of prudent risk.

Strategies employed for achieving objectives: 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.

Spending policy and how the investment objectives relate to spending policy: Target amounts to be retained within each endowment are established during the annual budget process. Foundation staff disburses allowable funds for expenditures in accordance with donor stipulations. In establishing this policy, the Foundation considered the long-term expected return on its endowments. Accordingly, over the long term, the Foundation expects the current spending policy to allow the endowments to grow at a reasonable rate each year. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Foundation. There were no such deficiencies at December 31, 2022 and 2021.

Changes in endowment net assets for the year ended December 31, 2022, consisted of the following:

	Net Assets Donor Restricted Time	Net Assets With Donor Restrictions in Perpetuity	Total
Net assets, beginning of year	\$ 1,000,538	\$ 1,220,354	\$ 2,220,892
Investment loss, net	(282,085)	-	(282,085)
Contributions	-	4,700	4,700
Net assets, end of year	<u>\$ 718,453</u>	<u>\$ 1,225,054</u>	<u>\$ 1,943,507</u>

Physician Associate Foundation of the American Academy of Physician Associates

Notes to Financial Statements

Note 5. Net Assets With Donor Restrictions and Endowment Funds (Continued)

Changes in endowment net assets for the year ended December 31, 2021, consisted of the following:

	Net Assets Donor Restricted Time	Net Assets With Donor Restrictions in Perpetuity	Total
Net assets, beginning of year	\$ 799,676	\$ 1,215,654	\$ 2,015,330
Investment return, net	207,534	-	207,534
Contributions	-	4,700	4,700
Amounts appropriated for expenditure	(6,672)	-	(6,672)
Net assets, end of year	<u>\$ 1,000,538</u>	<u>\$ 1,220,354</u>	<u>\$ 2,220,892</u>

Note 6. Conditional Promise to Give From Grantor

The Foundation has a conditional promise (conditional private grants) to give from its grantor totaling \$404,479 and \$0 as of December 31, 2022 and 2021, respectively. Future payments are contingent upon the Foundation carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant.