

# **Physician Associate Foundation of the American Academy of Physician Associates**

Financial Report  
December 31, 2023

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## 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 PA Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 PA Foundation as of December 31, 2023 and 2022, 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 PA 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 PA 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 PA 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 PA 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  
June 24, 2024

Physician Associate Foundation of the American Academy of Physician Associates

Statements of Financial Position  
December 31, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 260,806	\$ 1,122,722
Investments	1,842,494	1,662,786
Contributions receivable	187,000	8,277
Investments held for endowments	2,216,828	1,943,507
	<u>2,216,828</u>	<u>1,943,507</u>
<b>Total assets</b>	<b>\$ 4,507,128</b>	<b>\$ 4,737,292</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 94,849	\$ 49,114
Due to AAPA	7,359	487,146
Refundable advances	50,000	339,164
<b>Total liabilities</b>	<b>152,208</b>	<b>875,424</b>
Net assets:		
Without donor restrictions	1,211,055	1,084,804
With donor restrictions	3,143,865	2,777,064
<b>Total net assets</b>	<b>4,354,920</b>	<b>3,861,868</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,507,128</b>	<b>\$ 4,737,292</b>

See notes to financial statements.

Physician Associate Foundation of the American Academy of Physician Associates

Statement of Activities  
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Corporate support	\$ 217,031	\$ 37,775	\$ 254,806
Individual support	208,171	145,652	353,823
Grants	206,087	215,126	421,213
Other income	43,686	-	43,686
Contributions of nonfinancial assets	179,679	-	179,679
Investment income, net	214,705	238,907	453,612
Net assets released from restrictions due to satisfaction of program restrictions	270,659	(270,659)	-
<b>Total revenue and support</b>	<b>1,340,018</b>	<b>366,801</b>	<b>1,706,819</b>
Expenses:			
Program services:			
Grants	552,050	-	552,050
Scholarships	192,838	-	192,838
<b>Total program services</b>	<b>744,888</b>	<b>-</b>	<b>744,888</b>
Supporting services:			
General and administrative	298,061	-	298,061
Fundraising	170,818	-	170,818
<b>Total supporting services</b>	<b>468,879</b>	<b>-</b>	<b>468,879</b>
<b>Total expenses</b>	<b>1,213,767</b>	<b>-</b>	<b>1,213,767</b>
<b>Change in net assets</b>	<b>126,251</b>	<b>366,801</b>	<b>493,052</b>
Net assets:			
Beginning	1,084,804	2,777,064	3,861,868
Ending	\$ 1,211,055	\$ 3,143,865	\$ 4,354,920

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)	-
<b>Total revenue and support</b>	<b>1,571,524</b>	<b>(455,305)</b>	<b>1,116,219</b>
Expenses:			
Program services:			
Grants	710,358	-	710,358
Scholarships	185,347	-	185,347
<b>Total program services</b>	<b>895,705</b>	<b>-</b>	<b>895,705</b>
Supporting services:			
General and administrative	403,196	-	403,196
Fundraising	232,802	-	232,802
<b>Total supporting services</b>	<b>635,998</b>	<b>-</b>	<b>635,998</b>
<b>Total expenses</b>	<b>1,531,703</b>	<b>-</b>	<b>1,531,703</b>
<b>Change in net assets</b>	<b>39,821</b>	<b>(455,305)</b>	<b>(415,484)</b>
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 Functional Expenses  
Year Ended December 31, 2023**

	Program Services		Supporting Services		Total
	Grants	Scholarships	General and Administrative	Fundraising	
Personnel	\$ 96,439	\$ 64,293	\$ 175,033	\$ 128,463	\$ 464,228
Awards and contributions	131,196	119,250	330	-	250,776
Professional and subcontractor fees	302,501	-	51,650	5,420	359,571
Travel	286	-	13,608	10,170	24,064
Occupancy	-	-	41,776	877	42,653
Meetings and conferences	-	-	1,627	16,300	17,927
Postage and subscriptions	14,487	9,295	6,943	2,906	33,631
Other expenses	1,987	-	6,763	2,542	11,292
Supplies	5,154	-	331	4,140	9,625
<b>Total</b>	<b>\$ 552,050</b>	<b>\$ 192,838</b>	<b>\$ 298,061</b>	<b>\$ 170,818</b>	<b>\$ 1,213,767</b>

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
<b>Total</b>	<b>\$ 710,358</b>	<b>\$ 185,347</b>	<b>\$ 403,196</b>	<b>\$ 232,802</b>	<b>\$ 1,531,703</b>

See notes to financial statements.

**Physician Associate Foundation of the American Academy of Physician Associates**

**Statements of Cash Flows**

**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Change in net assets	\$ 493,052	\$ (415,484)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized (gain) loss on investments	(359,165)	642,604
Endowment contributions	(50,500)	(4,700)
Changes in assets and liabilities:		
(Decrease) increase in:		
Contributions receivable	(178,723)	810
Increase (decrease) in:		
Accounts payable and accrued expenses	45,735	26,522
Due to/from AAPA	(479,787)	498,186
Refundable advances	(289,164)	339,164
<b>Net cash (used in) provided by operating activities</b>	<b>(818,552)</b>	<b>1,087,102</b>
Cash flows from investing activities:		
Proceeds from sale of investments	428,783	(2,353,553)
Purchases of investments	(522,647)	2,287,440
<b>Net cash used in investing activities</b>	<b>(93,864)</b>	<b>(66,113)</b>
Cash flows from financing activities:		
Endowment contributions received	50,500	4,700
<b>Net cash provided by financing activities</b>	<b>50,500</b>	<b>4,700</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(861,916)</b>	<b>1,025,689</b>
Cash and cash equivalents:		
Beginning	1,122,722	97,033
Ending	\$ 260,806	\$ 1,122,722

See notes to financial statements.

## Physician Associate Foundation of the American Academy of Physician Associates

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** The Physician Associate Foundation of the American Academy of Physician Associates (the PA Foundation), is a nonprofit organization established in 1978, and operates exclusively for charitable, educational, research and community-based purposes. The PA 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 associates, and to support their efforts to enable them to improve the quality, accessibility and cost-effectiveness of patient-centered health care. The PA Foundation's mission is to develop and allocate resources that empower the physician associates (PA) profession to impact the health and wellness of communities it serves.

A summary of the PA 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 PA 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 PA Foundation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations.

**Income taxes:** The PA 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 PA Foundation under IRC Sections 509(a)(3). The PA 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 PA 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 PA Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The PA Foundation has not experienced any losses in such accounts. The PA 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

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

The PA 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, 2023 and 2022, 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.

**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 PA Foundation has evaluated subsequent events through June 24, 2024, 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

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#### Note 2. Liquidity and Availability

The PA 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, 2023 and 2022, the following financial assets are available within one year to meet cash needs for general expenditures:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 260,806	\$ 1,122,722
Investments	1,842,494	1,662,786
Contributions receivable	187,000	8,277
Financial assets	<u>2,290,300</u>	<u>2,793,785</u>
Less contractual or donor-imposed restrictions making financial assets unavailable for general expenditure:		
Net assets with donor restrictions less endowments	<u>(927,037)</u>	<u>(833,557)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,363,263</u>	<u>\$ 1,960,228</u>

#### Note 3. Investments

Investments are classified on the statements of financial position as follows:

	2023	2022
Investments	\$ 1,842,494	\$ 1,662,786
Investments held for endowment	<u>2,216,828</u>	<u>1,943,507</u>
	<u>4,059,322</u>	<u>3,606,293</u>

In accordance with U.S. GAAP, the PA 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 PA 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, 2023 and 2022, consist of the following:

	2023	2022
Investments at fair value:		
Equity funds (Level 1)	\$ 2,370,274	\$ 2,083,708
Fixed income funds (Level 1)	1,566,446	1,398,309
	<u>3,936,720</u>	<u>3,482,017</u>
Investments at cost:		
Money market	122,602	124,276
	<u>\$ 4,059,322</u>	<u>\$ 3,606,293</u>

Net investment income (loss) for the years ended December 31, 2023 and 2022, consists of the following:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 59,417	\$ 64,472	\$ 123,889
Realized and unrealized gain on investments	169,366	189,799	359,165
Investment fees	(14,078)	(15,364)	(29,442)
	<u>\$ 214,705</u>	<u>\$ 238,907</u>	<u>\$ 453,612</u>
	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>

**Note 4. Related-Party Transactions and Contributed Nonfinancial Assets**

AAPA provides services and other support to the PA Foundation. These expenses include salaries and related benefits of AAPA employees devoting time and effort working for the PA Foundation, allocable rent, utilities, office equipment and other general administrative expenses, such as financial accounting and reporting. During 2023 and 2022, AAPA contributed cash to the PA Foundation in lieu of charging them for the services. Accordingly, the services and other support are recorded as donated services to the PA Foundation. For the years ended December 31, 2023 and 2022, approximately \$240,000 and \$178,000, respectively, was donated to the PA 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, 2023, consisted of the following:

	Beginning Balance	Revenue/ Income	Releases/ Appropriations	Ending Balance
Subject to expenditure for specified purpose:				
Scholarship Program	\$ 824,477	\$ 344,181	\$ (243,209)	\$ 925,449
PAF Program Fund	9,080	19,958	(27,450)	1,588
	<u>833,557</u>	<u>364,139</u>	<u>(270,659)</u>	<u>927,037</u>
Endowments:				
Unappropriated accumulated income	718,453	222,821	-	941,274
Amounts required to be maintained in perpetuity	1,225,054	50,500	-	1,275,554
	<u>1,943,507</u>	<u>273,321</u>	<u>-</u>	<u>2,216,828</u>
	<u>\$ 2,777,064</u>	<u>\$ 637,460</u>	<u>\$ (270,659)</u>	<u>\$ 3,143,865</u>

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 PA 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)**

**Endowment composition:** Endowment net assets at December 31, 2023 and 2022, consisted of the following:

	2023		
	Unappropriated Income	Maintained In Perpetuity	Total
PAF General Endowment Fund	\$ 688,783	\$ 541,876	\$ 1,230,659
Robert K. Pedersen Global Outreach Endowment	43,096	204,935	248,031
W. Marquardt Scholarship Endowment	51,950	200,500	252,450
Nebraska Endowment Fund	49,505	123,015	172,520
NCCPA Endowed Scholarship Fund	51,390	140,000	191,390
The Jerald A. Breitman & Stephen J. Dorn Endowed Research Fellowship	31,383	40,100	71,483
LBGPA Endowment Fund	25,167	25,128	50,295
	<u>\$ 941,274</u>	<u>\$ 1,275,554</u>	<u>\$ 2,216,828</u>

	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>

**Endowment fund descriptions:** The PA 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

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#### 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 PA 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 associates 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 PA 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 PA 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 PA Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the PA 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

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

**Return objectives and risk parameters:** The PA 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. PA Foundation staff disburses allowable funds for expenditures in accordance with donor stipulations. In establishing this policy, the PA Foundation considered the long-term expected return on its endowments. Accordingly, over the long term, the PA Foundation expects the current spending policy to allow the endowments to grow at a reasonable rate each year. This is consistent with the PA 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 PA Foundation. Funds with deficiencies totaled \$81,246 and \$31,711 at December 31, 2023 and 2022, respectively.

Changes in endowment net assets for the year ended December 31, 2023, consisted of the following:

	Net Assets Donor Restricted Time	Net Assets With Donor Restrictions in Perpetuity	Total
Net assets, beginning of year	\$ 718,453	\$ 1,225,054	\$ 1,943,507
Investment income, net	222,821	-	222,821
Contributions	-	50,500	50,500
Net assets, end of year	<u>\$ 941,274</u>	<u>\$ 1,275,554</u>	<u>\$ 2,216,828</u>

**Physician Associate Foundation of the American Academy of Physician Associates**

**Notes to Financial Statements**

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

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>

**Note 6. Conditional Promise to Give From Grantor**

The PA Foundation has a conditional promise (conditional private grants) to give from its grantor totaling \$50,000 and \$404,479 as of December 31, 2023 and 2022, respectively. Future payments are contingent upon the PA Foundation carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant.