

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

Financial Report
December 31, 2021

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Independent Auditor's Report

RSM US LLP

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), formerly Physician Assistant Foundation of the American Academy of Physician Assistants, which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, 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 within one year after the date that the financial statements are available to be issued when applicable).

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

Washington, D.C.
May 10, 2022

Physician Associate Foundation of the American Academy of Physician Associates

Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 97,033	\$ 512,358
Investments	4,182,784	3,564,332
Due from AAPA	11,040	-
Contributions receivable	9,087	15,249
	<u>4,299,944</u>	<u>4,091,939</u>
Total assets	\$ 4,299,944	\$ 4,091,939
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 22,592	\$ 63,437
Due to AAPA	-	35,333
Total liabilities	<u>22,592</u>	<u>98,770</u>
Contingencies (Note 6)		
Net assets:		
Net assets without donor restrictions	1,044,983	1,169,526
Net assets with donor restrictions	3,232,369	2,823,643
Total net assets	<u>4,277,352</u>	<u>3,993,169</u>
Total liabilities and net assets	\$ 4,299,944	\$ 4,091,939

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	318,322	109,309	427,631
Grants	25,500	68,000	93,500
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 Activities
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Corporate support	\$ 184,387	\$ 337,033	\$ 521,420
Individual support	340,521	268,740	609,261
Grants	-	208,000	208,000
Investment return, net	145,057	183,146	328,203
Net assets released from restrictions due to satisfaction of program restrictions	398,384	(398,384)	-
Total revenue and support	1,068,349	598,535	1,666,884
Expenses:			
Program services:			
Grants	273,431	-	273,431
Scholarships	203,337	-	203,337
Patient education	61,039	-	61,039
Total program services	537,807	-	537,807
Supporting services:			
General and administrative	292,096	-	292,096
Fundraising	219,412	-	219,412
Total supporting services	511,508	-	511,508
Total expenses	1,049,315	-	1,049,315
Change in net assets	19,034	598,535	617,569
Net assets:			
Beginning	1,150,492	2,225,108	3,375,600
Ending	\$ 1,169,526	\$ 2,823,643	\$ 3,993,169

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

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services			Supporting Services		Total
	Grants	Scholarships	Patient Education	General and Administrative	Fundraising	
Personnel	\$ 75,222	\$ 86,548	\$ 3,973	\$ 101,103	\$ 190,562	\$ 457,408
Awards and contributions	83,614	97,500	18,000	502	5,600	205,216
Professional and subcontractor fees	99,150	9,585	37,109	142,688	3,452	291,984
Travel	2,623	-	314	5,116	877	8,930
Occupancy	9,572	7,704	1,643	15,808	9,219	43,946
Meetings and conferences	1,221	-	-	2,803	7,250	11,274
Postage and subscriptions	237	2,000	-	13,390	855	16,482
Other expenses	-	-	-	8,425	-	8,425
Supplies	1,792	-	-	2,261	1,597	5,650
Total	\$ 273,431	\$ 203,337	\$ 61,039	\$ 292,096	\$ 219,412	\$ 1,049,315

See notes to financial statements.

Physician Associate Foundation of the American Academy of Physician Associates

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 284,183	\$ 617,569
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized gain on investments	(357,311)	(300,284)
Endowment contributions	(4,700)	(203,500)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	6,162	66,244
Increase (decrease) in:		
Accounts payable and accrued expenses	(40,845)	42,865
Due to/from AAPA	(46,373)	(6,659)
Net cash (used in) provided by operating activities	(158,884)	216,235
Cash flows from investing activities:		
Proceeds from sale of investments	1,229,782	467,514
Purchases of investments	(1,490,923)	(455,304)
Net cash (used in) provided by investing activities	(261,141)	12,210
Cash flows from financing activities:		
Endowment contributions received	4,700	203,500
Net cash provided by financing activities	4,700	203,500
Net (decrease) increase in cash and cash equivalents	(415,325)	431,945
Cash and cash equivalents:		
Beginning	512,358	80,413
Ending	\$ 97,033	\$ 512,358

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.

During the year ended December 31, 2021, the Foundation changed its name to Physician Associate Foundation of the American Academy of Physician Associates.

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.

Physician Associate Foundation of the American Academy of Physician Associates

Notes to Financial Statements

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

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.

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, 2021 and 2020, 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.

Pending 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 ASU is effective for the Foundation's annual reporting period ending December 31, 2022.

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.

Reclassifications: Certain expenses were reclassified to conform to the 2021 presentation. There were no changes to the previously stated change net assets as a result of the reclassifications.

Subsequent events: Subsequent events have been evaluated through May 10, 2022, which is the date 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, 2021 and 2020, the following financial assets are available within one year to meet cash needs for general expenditures:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 97,033	\$ 512,358
Investments	4,182,784	3,564,332
Due from AAPA	11,040	-
Contributions receivable	9,087	15,249
Financial assets	<u>4,299,944</u>	<u>4,091,939</u>
Less contractual or donor-imposed restrictions making financial assets unavailable for general expenditure:		
Net assets with donor restrictions	<u>(3,232,369)</u>	<u>(2,823,643)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,067,575</u></u>	<u><u>\$ 1,268,296</u></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, 2021 and 2020, consist of the following:

	2021	2020
Investments at fair value:		
Equity funds (Level 1)	\$ 2,604,798	\$ 1,331,489
Fixed income funds (Level 1)	1,367,766	2,139,077
	<u>3,972,564</u>	<u>3,470,566</u>
Investments at cost:		
Money market	210,220	93,766
	<u>\$ 4,182,784</u>	<u>\$ 3,564,332</u>

Net investment return for the years ended December 31, 2021 and 2020, consists of the following:

	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>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 20,921	\$ 31,804	\$ 52,725
Realized and unrealized gain on investments	134,613	165,671	300,284
Investment fees	(10,477)	(14,329)	(24,806)
	<u>\$ 145,057</u>	<u>\$ 183,146</u>	<u>\$ 328,203</u>

Note 4. Related-Party Transactions

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 2020, AAPA and the Foundation discontinued charging the Foundation \$80,000 for services. Instead, the services and other support are recorded as donated services to the Foundation. For the years ended December 31, 2021 and 2020, approximately \$198,000 and \$180,000, 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, 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 change in net assets with donor restrictions for the year ended December 31, 2020, consisted of the following:

	Beginning Balance	Revenue	Releases/ Appropriations	Ending Balance
Subject to expenditure for specified purpose:				
Scholarship Program	\$ 482,507	\$ 520,287	\$ (323,384)	\$ 679,410
Corporate Alliance Program	60,000	90,000	(60,000)	90,000
PAF Program Fund	36,173	9,730	(7,000)	38,903
	<u>578,680</u>	<u>620,017</u>	<u>(390,384)</u>	<u>808,313</u>
Endowments:				
Unappropriated accumulated income	634,274	173,402	(8,000)	799,676
Amounts required to be maintained in perpetuity	1,012,154	203,500	-	1,215,654
	<u>1,646,428</u>	<u>376,902</u>	<u>(8,000)</u>	<u>2,015,330</u>
	<u>\$ 2,225,108</u>	<u>\$ 996,919</u>	<u>\$ (398,384)</u>	<u>\$ 2,823,643</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.

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.

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, 2021 and 2020, consisted of the following:

	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>

	2020		
	Unappropriated Income	Maintained In Perpetuity	Total
PAF General Endowment Fund	\$ 605,996	\$ 491,876	\$ 1,097,872
Robert K. Pedersen Global Outreach Endowment	51,731	202,935	254,666
W. Marquardt Scholarship Endowment	-	200,000	200,000
Nebraska Endowment Fund	48,150	115,615	163,765
NCCPA Endowed Scholarship Fund	45,266	140,000	185,266
The Jerald A. Breitman & Stephen J. Dorn Endowed Research Fellowship	26,675	40,100	66,775
LBGPA Endowment Fund	21,858	25,128	46,986
	<u>\$ 799,676</u>	<u>\$ 1,215,654</u>	<u>\$ 2,015,330</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, 2021 and 2020.

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>

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, 2020, consisted of the following:

	Net Assets Donor Restricted Time	Net Assets With Donor Restrictions in Perpetuity	Total
Net assets, beginning of year	\$ 634,274	\$ 1,012,154	\$ 1,646,428
Investment return, net	173,402	-	173,402
Contributions	-	203,500	203,500
Amounts appropriated for expenditure	(8,000)	-	(8,000)
Net assets, end of year	<u>\$ 799,676</u>	<u>\$ 1,215,654</u>	<u>\$ 2,015,330</u>

Note 6. COVID-19

The continued global pandemic in 2021 has created substantial volatility in financial markets and the economy, including the geographic areas in which the Foundation operates. While the Foundation has mitigated the financial impact to its business, it is unknown how long these conditions will last. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments which are highly uncertain and cannot be predicted, and as such cannot be determined.