

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

Financial Report  
December 31, 2020

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## Independent Auditor's Report

RSM US LLP

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Physician Assistant Foundation of the American Academy of Physician Assistants (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, statement of functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, 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.

*RSM US LLP*

Washington, D.C.  
April 22, 2021

Physician Assistant Foundation of the American Academy of Physician Assistants

Statements of Financial Position  
December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 512,358	\$ 80,413
Investments	3,564,332	3,276,258
Contributions receivable	15,249	81,493
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 4,091,939</b>	<b>\$ 3,438,164</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 63,437	\$ 20,572
Due to AAPA	35,333	41,992
<b>Total liabilities</b>	<hr/> <b>98,770</b>	<hr/> <b>62,564</b>
Contingencies (Note 6)		
Net assets:		
Net assets without donor restrictions	1,169,526	1,150,492
Net assets with donor restrictions	2,823,643	2,225,108
<b>Total net assets</b>	<hr/> <b>3,993,169</b>	<hr/> <b>3,375,600</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and net assets</b>	<b>\$ 4,091,939</b>	<b>\$ 3,438,164</b>
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See notes to financial statements.

Physician Assistant Foundation of the American Academy of Physician Assistants

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	145,057	183,146	328,203
Net assets released from restrictions due to satisfaction of program restrictions	398,384	(398,384)	-
<b>Total revenue and support</b>	<b>1,068,349</b>	<b>598,535</b>	<b>1,666,884</b>
Expense:			
Program services:			
Grants	240,723	-	240,723
Scholarships	193,752	-	193,752
Patient education	45,293	-	45,293
<b>Total program services</b>	<b>479,768</b>	<b>-</b>	<b>479,768</b>
Supporting services:			
General and administrative	350,135	-	350,135
Fundraising	219,412	-	219,412
<b>Total supporting services</b>	<b>569,547</b>	<b>-</b>	<b>569,547</b>
<b>Total expense</b>	<b>1,049,315</b>	<b>-</b>	<b>1,049,315</b>
<b>Change in net assets</b>	<b>19,034</b>	<b>598,535</b>	<b>617,569</b>
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 Assistant Foundation of the American Academy of Physician Assistants**

**Statement of Activities**

**Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Corporate support	\$ 133,617	\$ 313,983	\$ 447,600
Individual support	212,380	37,390	249,770
Grants	107,417	18,450	125,867
Other revenue	4,946	7,965	12,911
Investment return	197,254	222,271	419,525
Net assets released from restrictions due to satisfaction of program restrictions	240,537	(240,537)	-
<b>Total revenue and support</b>	<b>896,151</b>	<b>359,522</b>	<b>1,255,673</b>
Expense:			
Program services:			
Grants	253,004	-	253,004
Patient education	121,799	-	121,799
Scholarships	74,142	-	74,142
<b>Total program services</b>	<b>448,945</b>	<b>-</b>	<b>448,945</b>
Supporting services:			
General and administrative	198,823	-	198,823
Fundraising	161,070	-	161,070
<b>Total supporting services</b>	<b>359,893</b>	<b>-</b>	<b>359,893</b>
<b>Total expense</b>	<b>808,838</b>	<b>-</b>	<b>808,838</b>
<b>Change in net assets</b>	<b>87,313</b>	<b>359,522</b>	<b>446,835</b>
Net assets:			
Beginning	1,063,179	1,865,586	2,928,765
Ending	\$ 1,150,492	\$ 2,225,108	\$ 3,375,600

See notes to financial statements.

Physician Assistant Foundation of the American Academy of Physician Assistants

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	66,442	-	21,363	200,727	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
<b>Total</b>	<b>\$ 240,723</b>	<b>\$ 193,752</b>	<b>\$ 45,293</b>	<b>\$ 350,135</b>	<b>\$ 219,412</b>	<b>\$ 1,049,315</b>

See notes to financial statements.

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

**Statement of Functional Expenses**

**Year Ended December 31, 2019**

	Program Services			Supporting Services		Total
	Grants	Patient Education	Scholarships	General and Administrative	Fundraising	
Personnel	\$ 150,975	\$ 114,275	\$ -	\$ 43,719	\$ 105,376	\$ 414,345
Awards and contributions	63,015	-	70,500	482	1,687	135,684
Professional and subcontractor fees	18,882	1,555	9	107,346	4,611	132,403
Travel	1,795	-	-	14,801	5,416	22,012
Occupancy	12,399	5,969	3,633	11,788	7,893	41,682
Meetings and conferences	-	-	-	3,377	29,223	32,600
Postage and subscriptions	-	-	-	11,651	5,435	17,086
Other expenses	-	-	-	5,248	121	5,369
Supplies	5,938	-	-	411	1,308	7,657
<b>Total</b>	<b>\$ 253,004</b>	<b>\$ 121,799</b>	<b>\$ 74,142</b>	<b>\$ 198,823</b>	<b>\$ 161,070</b>	<b>\$ 808,838</b>

See notes to financial statements.



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

**Statements of Cash Flows**

**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	2019
Cash flows from operating activities:		
Change in net assets	\$ 617,569	\$ 446,835
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	<b>(300,284)</b>	(365,509)
Endowment contributions	<b>(203,500)</b>	(21,126)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	<b>66,244</b>	(10,120)
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>42,865</b>	(21,696)
Due to AAPA	<b>(6,659)</b>	(6,708)
<b>Net cash provided by operating activities</b>	<b>216,235</b>	21,676
Cash flows from investing activities:		
Proceeds from sale of investments	<b>467,514</b>	930,206
Purchases of investments	<b>(455,304)</b>	(943,661)
<b>Net cash provided (used in) by investing activities</b>	<b>12,210</b>	(13,455)
Cash flows from financing activities:		
Endowment contributions received	<b>203,500</b>	21,126
<b>Net cash provided by financing activities</b>	<b>203,500</b>	21,126
<b>Net increase in cash and cash equivalents</b>	<b>431,945</b>	29,347
Cash and cash equivalents:		
Beginning	<b>80,413</b>	51,066
Ending	<b>\$ 512,358</b>	\$ 80,413

See notes to financial statements.

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

### Notes to Financial Statements

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

**Nature of activities:** The Physician Assistant Foundation of the American Academy of Physician Assistants (the Foundation) 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 Assistants (AAPA), a tax-exempt organization whose mission is to ensure the professional growth, personal excellence, and recognition of physician assistants, and to support their efforts to enable them to improve the quality, accessibility, and cost-effectiveness of patient-centered health care. The Foundation's mission is to develop and allocate resources that empower the physician assistant (PA) profession to impact the health and wellness of communities it serves.

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

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles 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. To adjust the carrying value of these investments, the change in fair value is charged or credited to current operations net of related fees. Money market funds are recorded at cost.

**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 Assistant Foundation of the American Academy of Physician Assistants

### Notes to Financial Statements

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#### **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, 2020 and 2019, as management believes that all receivables are fully collectible.

**Contributions and grants:** Contributions and grants include 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.

**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 2019 expenses have been reclassified to conform to the 2020 presentation. Specifically, occupancy expenses have been allocated to the programs benefited. There was no change to change in net assets as a result of the reclassification.

**Subsequent events:** Subsequent events have been evaluated through April 22, 2021, which is the date the financial statements were available to be issued.

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

### Notes to Financial Statements

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#### 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, 2020 and 2019, the following financial assets are available within one year to meet cash needs for general expenditures:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 512,358	\$ 80,413
Investments	3,564,332	3,276,258
Contributions receivable	15,249	81,493
Financial assets	<u>4,091,939</u>	<u>3,438,164</u>
Less contractual or donor-imposed restrictions making financial assets unavailable for general expenditure:		
Net assets with donor restrictions	<u>(2,823,643)</u>	<u>(2,225,108)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,268,296</u>	<u>\$ 1,213,056</u>

#### Note 3. Investments

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

- Level 1:** Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.
- Level 2:** Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.
- Level 3:** Unobservable inputs which reflect the Foundation's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

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 Assistant Foundation of the American Academy of Physician Assistants**

**Notes to Financial Statements**

**Note 3. Investments (Continued)**

Investments at December 31, 2020 and 2019 consist of the following:

	2020	2019
Investments, at fair value		
Equity funds (Level 1)	\$ 1,331,489	\$ 1,844,245
Fixed income funds (Level 1)	2,139,077	1,331,326
	<u>3,470,566</u>	<u>3,175,571</u>
Investments, at cost		
Money market	93,766	100,687
	<u>\$ 3,564,332</u>	<u>\$ 3,276,258</u>

Investment activity for the years ended December 31, 2020 and 2019 consists of the following:

	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>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 70,867	\$ 7,548	\$ 78,415
Realized and unrealized gain on investments	135,663	229,846	365,509
Investment fees	(9,276)	(15,123)	(24,399)
	<u>\$ 197,254</u>	<u>\$ 222,271</u>	<u>\$ 419,525</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. For the year ended December 31, 2019, these expenses approximated \$80,000. During 2020, AAPA and the Foundation discontinued charging the Foundation \$80,000 for such services. Instead, the services and other support are recorded as donated services to the Foundation for approximately \$180,000, and are included in contributions revenue and program and supporting service expenses in the accompanying statements of activities.

In addition, AAPA made contributions of \$0 and \$50,000 to the Foundation during the each of the years ended December 31, 2020 and 2019, respectively. These amounts are included in corporate support in the statements of activities.

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

**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, 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 change in net assets with donor restrictions for the year ended December 31, 2019 consisted of the following:

	Beginning Balance	Revenue	Releases / Appropriations	Ending Balance
Subject to expenditure for specified purpose:				
Scholarship Program	\$ 384,671	\$ 298,254	\$ (200,418)	\$ 482,507
Corporate Alliance Program	-	60,000	-	60,000
PAF Program Fund	28,447	13,310	(5,584)	36,173
	<u>413,118</u>	<u>371,564</u>	<u>(206,002)</u>	<u>578,680</u>
Endowments:				
Unappropriated accumulated income	461,440	207,369	(34,535)	634,274
Amounts required to be maintained in perpetuity	991,028	21,126	-	1,012,154
	<u>1,452,468</u>	<u>228,495</u>	<u>(34,535)</u>	<u>1,646,428</u>
	<u>\$ 1,865,586</u>	<u>\$ 600,059</u>	<u>\$ (240,537)</u>	<u>\$ 2,225,108</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 Council Program:** The Foundation solicits funds from corporate partners to support the work of the Foundation. Based on the amounts, the corporate partners receive different levels of media recognition for the year designated. Amounts received prior to the year of recognition are accumulated under temporarily restricted net assets until the year of recognition.

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

**Notes to Financial Statements**

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

**Endowment composition:** Endowment net assets at December 31, 2020 and 2019 consisted of the following:

	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>

  

	2019		
	Unappropriated Income	Maintained In Perpetuity	Total
PAF General Endowment Fund	\$ 475,417	\$ 492,876	\$ 968,293
Robert K. Pedersen Global Outreach Endowment	48,779	202,935	251,714
Nebraska Endowment Fund	37,992	112,115	150,107
NCCPA Endowed Scholarship Fund	34,291	140,000	174,291
The Jerald A. Breitman & Stephen J. Dorn Endowed Research Fellowship	20,369	40,100	60,469
LBGPA Endowment Fund	17,426	24,128	41,554
	<u>\$ 634,274</u>	<u>\$ 1,012,154</u>	<u>\$ 1,646,428</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 PA's or PA students in an international setting.

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

### 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 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. An additional \$0 and \$15,000 was contributed in 2020 and 2019, respectively. 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 Assistant Foundation of the American Academy of Physician Assistants

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

**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, 2020 and 2019.

#### Note 6. COVID-19

**Pandemic:** The continued global pandemic in 2020 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.