

**American Medical
Association Foundation**

**Financial Statements and
Independent Auditors' Report**

Period January 1, 2014 through June 30, 2014

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MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
American Medical Association Foundation
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the American Medical Association Foundation which comprise the statement of financial position, as of June 30, 2014, and the related statements of activities and cash flows for the period January 1, 2014 through June 30, 2014, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditors' 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 entity'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 entity'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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Medical Association Foundation, as of June 30, 2014, and changes in its net assets and its cash flows for the period January 1, 2014 through June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
October 30, 2014

FINANCIAL STATEMENTS

American Medical Association Foundation
STATEMENT OF FINANCIAL POSITION
June 30, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,448,937
Pledges receivable, net of allowance for uncollectible pledges of \$30,111	<u>254,610</u>
Total current assets	<u>1,703,547</u>

LONG-TERM ASSETS

Pledges receivable, net of allowance for uncollectible pledges of \$48,966	314,120
Investments	<u>22,352,994</u>
Total long-term assets	<u>22,667,114</u>
	<u>\$ 24,370,661</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ <u>164,646</u>
Total current liabilities	<u>164,646</u>

NET ASSETS

Unrestricted	17,633,853
Temporarily restricted	2,672,783
Permanently restricted	<u>3,899,379</u>
Total net assets	<u>24,206,015</u>
	<u>\$ 24,370,661</u>

The accompanying notes are an integral part of this statement.

American Medical Association Foundation
STATEMENT OF ACTIVITIES
For the period January 1, 2014 through June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions and grants	\$ 421,325	\$ 200,964	\$ 126,910	\$ 749,199
Investment income, net of expenses	221,782	20,355	12,677	254,814
Sales of health literacy kits	470	-	-	470
Net assets released from donor restrictions	317,643	(317,643)	-	-
Net asset transfers	49,340	(33,376)	(15,964)	-
	<u>1,010,560</u>	<u>(129,700)</u>	<u>123,623</u>	<u>1,004,483</u>
Expenses				
Grants and educational programs	490,312	-	-	490,312
Management and general	455,712	-	-	455,712
Fundraising	269,092	-	-	269,092
	<u>1,215,116</u>	<u>-</u>	<u>-</u>	<u>1,215,116</u>
Change in net assets before net realized and unrealized gains on investments	(204,556)	(129,700)	123,623	(210,633)
Net realized and unrealized gains on investments	<u>716,256</u>	<u>65,739</u>	<u>40,940</u>	<u>822,935</u>
CHANGE IN NET ASSETS	511,700	(63,961)	164,563	612,302
Net assets at beginning of year	\$ <u>17,122,153</u>	\$ <u>2,736,744</u>	\$ <u>3,734,816</u>	\$ <u>23,593,713</u>
Net assets at end of year	<u>\$ 17,633,853</u>	<u>\$ 2,672,783</u>	<u>\$ 3,899,379</u>	<u>\$ 24,206,015</u>

The accompanying notes are an integral part of this statement.

American Medical Association Foundation
STATEMENT OF CASH FLOWS
For the period January 1, 2014 through June 30, 2014

Cash flows from operating activities	\$ 612,302
Increase in net assets	
Adjustments to reconcile increase in net assets to net cash used in operating activities	
Contributions restricted for long-term investment	(126,910)
Investment earnings restricted for long-term investments	(12,677)
Net realized and unrealized gains on investments	(822,935)
Allowance for uncollectible pledges	(17,508)
Decrease in assets	
Pledges receivable	37,642
Inventory	41,260
Decrease in liabilities	
Agency funds payable	(246,656)
Accounts payable and accrued expenses	(997)
Net cash used in operating activities	<u>(536,479)</u>
Cash flows from investing activities	
Purchases of investments	(3,837,693)
Proceeds from sales of investments	<u>4,486,870</u>
Net cash provided by investing activities	<u>649,177</u>
Cash flows from financing activities	
Contributions restricted for long-term investment	126,910
Investment income restricted for long-term investment	<u>12,677</u>
Net cash provided by financing activities	<u>139,587</u>
INCREASE IN CASH AND CASH EQUIVALENTS	252,285
Cash and cash equivalents, beginning of year	<u>1,196,652</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,448,937</u></u>

The accompanying notes are an integral part of this statement.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - NATURE OF ORGANIZATION

The American Medical Association Foundation (the "Foundation") was established in 1957, as an Illinois not-for-profit corporation, to provide financial assistance to students enrolled in recognized schools or institutions of medical education and to promote the betterment of public health through financial support of scientific and medical research. Support is derived principally from contributions to the Foundation for Foundation-sponsored activities.

The Foundation changed its year end from December 31st to June 30th in March 2014.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements of the Foundation are prepared using the accrual basis of accounting.

2. Cash Equivalents

The Foundation considers all highly liquid investments with maturities of three months or less, at the date of purchase, to be cash equivalents.

3. Investments

Investments are reported at their fair values in the statement of financial position (see Note C). Unrealized and realized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near-term would affect investment balances and the amounts reported in the financial statements.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Contributions

Contributions and grants, including unconditional promises to give, are measured at their fair values and are reported as increases in net assets and receivables, if not yet received.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are restricted as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue.

The Foundation reports gifts of goods and equipment as unrestricted revenue unless explicit donor stipulations specify how the donated assets must be used. When applicable, gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted revenue. The Foundation received no gifts of goods or equipment during 2014.

5. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Investment Income

Investment income is allocated annually to permanently and temporarily restricted net assets if stipulated by the original donor. The allocation is based on the average permanently and temporarily restricted net asset balances for the year.

7. Expenses and Allocations

Expenses directly related to program activities are charged against the respective programs. Salaries and other operating expenses are allocated to the various programs on the basis of management's estimate of the proportionate share of services provided to each program.

8. Income Taxes

The Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

Accounting principles generally accepted in the United States of America (GAAP) requires management to evaluate tax positions by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities.

Management has analyzed the tax position taken by the Foundation, and has concluded that as of June 30, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations prior to 2011.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, and accounts payable and accrued expenses approximate fair value due to the nature of short maturity of these instruments. Investments are valued at fair value as described in Note C. The fair value of pledges receivable is estimated at the present value of the future payments expected to be received, which approximates the carrying value.

It is the Foundation's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying notes to the financial statements.

NOTE C - FAIR VALUE MEASUREMENTS

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the accounting standards are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

- Level 2 Inputs to the valuation methodology include the following:
 - * Quoted prices for similar assets or liabilities in active markets;
 - * Quoted prices for identical or similar assets or liabilities in inactive markets;
 - * Inputs other than quoted prices that are observable for the asset or liability;
 - * Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the Foundation's investments measured at fair value.

Common stocks and equity mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income, corporate bonds and U.S. government bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth the Foundation's investments measured at fair value on a recurring basis and the basis of measurement at June 30, 2014:

	Quoted Prices in Active Markets For Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Common stocks				
Consumer discretionary	\$ 1,689,032	\$ -	\$ -	\$ 1,689,032
Consumer staples	1,166,969	-	-	1,166,969
Energy	1,315,375	-	-	1,315,375
Financials	2,598,641	-	-	2,598,641
Healthcare	2,000,738	-	-	2,000,738
Industrials	1,589,339	-	-	1,589,339
Information technology	2,853,448	-	-	2,853,448
Materials	546,528	-	-	546,528
Telecommunications services	207,017	-	-	207,017
Utilities	271,359	-	-	271,359
Equity mutual funds				
International	840,711	-	-	840,711
Fixed income				
Treasury and Federal Agencies	-	1,678,937	-	1,678,937
State and Municipal	-	1,161,749	-	1,161,749
Non-Government Obligations	-	2,700,858	-	2,700,858
International	-	691,144	-	691,144
Corporate bonds	-	1,041,149	-	1,041,149
	<u>\$ 15,079,157</u>	<u>\$ 7,273,837</u>	<u>\$ -</u>	<u>\$ 22,352,994</u>

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

Total investment return for the period January 1, 2014 through June 30, 2014 is summarized as follows:

Investment income, net of expenses	
Dividends and interest	\$ 312,001
Investment management fees	<u>(57,187)</u>
	\$ <u>254,814</u>
Net realized gains	\$ 1,350,053
Net unrealized losses	<u>(527,118)</u>
	\$ <u>822,935</u>

NOTE D - PLEDGES RECEIVABLE, NET

Pledge receivables consisted of the following as of June 30, 2014:

Unconditional pledges receivable	\$ 658,969
Pledge discounts	(11,162)
Allowance for uncollectable pledges	<u>(79,077)</u>
	568,730
Less current portion	<u>(254,610)</u>
	\$ <u>314,120</u>

The discount rate used was 1.62% for pledges received during the period January 1, 2014 through June 30, 2014.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE D - PLEDGES RECEIVABLE, NET (Continued)

Future collections of pledges receivable are anticipated as follows:

Fiscal year ending June 30,		
2015	\$	284,721
2016		167,580
2017		103,371
2018		57,507
2019		<u>45,790</u>
		658,969
Discount		(11,162)
Allowance for uncollectible pledges		<u>(79,077)</u>
	\$	<u><u>568,730</u></u>

NOTE E - INVESTMENTS

Investments consisted of the following as of June 30, 2014:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ 9,904,100	\$ 14,238,446
Equity mutual funds	807,490	840,711
Fixed income	<u>7,081,662</u>	<u>7,273,837</u>
	<u>\$ 17,793,252</u>	<u>\$ 22,352,994</u>

At June 30, 2014, \$1,092,418 of cash and cash equivalents were included in the investment brokerage account.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E - INVESTMENTS (Continued)

At June 30, 2014, fixed income investments mature in the following years:

2015	\$	204,466
2016		1,042,378
2017		1,323,494
2018		879,827
2019		310,535
Thereafter		<u>3,513,137</u>
	\$	<u>7,273,837</u>

NOTE F - AGENCY FUNDS PAYABLE

The Foundation discontinued the Medical Scholars Fund as of June 30, 2014 and all scholarships were paid out during 2014. There were no agency funds payable at June 30, 2014.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

The Foundation receives grants and contributions restricted for education and research programs. Temporarily restricted net assets are available for the following purposes at June 30, 2014:

Arthur N. Wilson Scholarships for Students from Southeast Alaska	\$ 20,768
General Scholarship Fund Awards	620,903
Grants for research on women in medicine program	197,100
Funds for health literacy programs and tools	2,055
Grants for nutrition programs in free clinics	10,000
Grants for physicians of tomorrow scholarship program	102,181
Grants for the study of cardiovascular disorders	153,788
Grants for the study of HIV/AIDS	5,216
Minority scholars awards	27,542
National Business Group Health	5,000
GLBT Honor Fund	90,000
Dr. Richard Allen Williams and Genita Evangelista Johnson/ABC Fund	94,221
Hypertension and Pre-Diabetes Initiative Fund	77,580
Group Honor Funds	824,217
Other trusts and research grants	<u>442,212</u>
	<u>\$ 2,672,783</u>

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During 2014, the following net assets were released from temporary donor restrictions by satisfying the stated restricted purposes, the passage of time or by occurrence of other events specified by donors:

Arthur N. Wilson Scholarships for Students from Southeast Alaska	\$ 11
Excellence in Medicine	63,399
General Scholarship Fund Awards	45,159
Grants for nutrition programs in free clinics	34,584
Grants for physicians of tomorrow scholarship program	4,838
Grants for the study of cardiovascular disorders	80,580
Minority scholars awards	<u>89,072</u>
	<u>\$ 317,643</u>

NOTE I - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include the following endowment funds:

The General Endowment Fund was established with a required initial matching contribution by the Foundation. Earnings on the endowment are available for unrestricted purposes.

Honor Funds

When Honor Fund contributions reach \$100,000, a permanent endowment fund is established and the funds are transferred from temporarily restricted net assets to permanently restricted net assets. Until a Honor Fund reaches a balance of \$250,000, founding donors will direct how half of the endowment's earnings are utilized by determining which public health or medical education program the Honor Fund will support; the other half is reinvested for fund growth.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I - PERMANENTLY RESTRICTED NET ASSETS (Continued)

Honor Funds (Continued)

The Alliance Grassroots Honor Fund was established to help fund the Foundation's public health and medical education programs. Once the Fund reaches \$250,000, the earnings of the Fund will support the Foundation's Physicians of Tomorrow scholarship program, specifically to students with an interest in and commitment to women's and/or children's health issues.

The Ohio Honor Fund was established to help fund the Foundation's public health and medical education programs. The earnings of the Fund provide support to Ohio medical students.

The Ronald M. Davis, MD Legacy Honor Fund was established to help fund the Foundation's public health and medical education programs. The earnings of the Fund supports pancreatic cancer research through the Foundation's Seed Grant Research Program.

The California / Ronald P. Bangasser, MD Memorial Honor Fund was established to help fund the Foundation's medical education programs. Once the Fund reaches \$250,000, the earnings of the Fund will provide support to medical students in California.

The North Central Medical Conference / Kenneth Viste, MD Memorial Honor Fund was established to help fund the Foundation's medical education programs. Once the Fund reaches \$250,000, the earnings of the Fund will support the Foundation's Physicians of Tomorrow scholarship program, supporting medical students in the North Central region of the United States.

The Medical Society of the State of New York / Dr. Duane and Joyce Cady Honor Fund was established to help fund the Foundation's medical education programs. The earnings of the Fund support the Foundation's Physicians of Tomorrow scholarship program, supporting medical students in New York.

The International Medical Graduates Honor Fund was established to help fund the Foundation's health literacy programs. Once the Fund reaches \$250,000, the earnings of the Fund will support the Foundation's healthy community programs.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I - PERMANENTLY RESTRICTED NET ASSETS (Continued)

Honor Funds (Continued)

The Oklahoma Honor Fund was established to help fund the Foundation's medical education programs. Once the Fund reaches \$250,000, the earnings of the Fund will support the Foundation's Physicians of Tomorrow scholarship program, supporting medical students in Oklahoma.

The Illinois Honor Fund was established to help fund the Foundation's medical education programs. Once the Fund reaches \$250,000, the earnings of the Fund will provide support for Illinois medical students who are actively involved in organized medicine.

The Missouri Honor Fund was established to help fund the Foundation's public health programs. Once the Fund reaches \$250,000, the earnings of the Fund will provide support for Missouri patients through the Foundation's public health programs.

The Mary Francis Alexander Fund was established to provide scholarships for medical students through the earnings of the Fund.

The Dr. Johnson F. Hammond Memorial Fund was established to provide an annual scholarship for a medical student of high moral character through the earnings of the Fund.

The Lurah L. Weaver Memorial Fund represents the residual value of the estate of Lurah L. Weaver. The terms of the will provide that only realized income from this Fund can be used for unrestricted purposes.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I - PERMANENTLY RESTRICTED NET ASSETS (Continued)

The balance of each of the permanently restricted funds as of June 30, 2014 is as follows:

General Endowment Fund	\$ 823,649
Honor Funds	
Alliance Grassroots Honor Fund	253,678
Ohio Honor Fund	315,637
Ronald M. Davis, MD Legacy Honor Fund	302,220
California / Ronald P. Bangasser, MD Memorial Honor Fund	189,888
North Central Medical Conference / Kenneth Viste, MD Memorial Honor Fund	171,830
Medical Society of the State of New York / Dr. Duane and Joyce Cady Honor Fund	290,507
International Medical Graduates Honor Fund	136,396
Oklahoma Honor Fund	128,075
Illinois Honor Fund	133,738
Missouri Honor Fund	148,463
Mary Francis Alexander Fund	243,178
Dr. Johnson F. Hammond Memorial Fund	97,360
Lurah L. Weaver Memorial Fund	664,760
	<u>\$ 3,899,379</u>

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I - PERMANENTLY RESTRICTED NET ASSETS (Continued)

Interpretation of Existing Relevant State Law

The Foundation has interpreted the Illinois Uniform Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment funds, (b) the original value of subsequent gifts to the permanent endowment funds, and (c) accumulations to the permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are expended for their related restricted purpose. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets and is to be used for unrestricted purposes is classified as unrestricted net assets.

Endowment Spending Policies

The Foundation has a policy of appropriating for expenditure for its various programs, including endowed programs, of up to 5% of the three-year average of the year-end market value of its total investment portfolio.

Endowment Investment Policies

The Foundation's current endowments do not have any specifically related investments. Amounts received from permanently restricted donations are pooled with other investments of the Foundation and are subject to the general investment policy of the Foundation as described below.

The Foundation's assets are invested for the sole purpose of improving the health of Americans through philanthropic support of quality programs in public health and medical education.

The investment policy attempts to establish an asset allocation that provides adequate returns at an acceptable level of risk while complying with all applicable state and federal laws and regulations.

The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term investment return objectives within prudent risk constraints.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I - PERMANENTLY RESTRICTED NET ASSETS (Continued)

Endowment Investment Policies (Continued)

The Foundation's short-term liquidity needs are expected to be provided through a combination of investment income and contributions. The Foundation's long-term investment rate of return goal is to earn an average annual rate of return over rolling five-year periods that exceeds the rate of inflation by at least 5% per year. Actual returns in any given year may vary from this amount.

Endowment Net Asset Composition and Changes in Endowment Net Assets as of and for the Year

Period January 1, 2014 through June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 15,827	\$ 3,734,816	\$ 3,750,643
Investment return:				
Investment income	-	1,036	12,677	13,713
Net appreciation (realized and unrealized)	-	3,345	40,940	44,285
Total investment return	-	4,381	53,617	57,998
Contributions	-	-	126,910	126,910
Net asset transfers *	-	-	(15,964)	(15,964)
Expenditures	-	(1,510)	-	(1,510)
Endowment net assets, end of year	\$ -	\$ 18,698	\$ 3,899,379	\$ 3,918,077

* In 2014, \$15,964 was transferred to unrestricted net assets for administrative and other expenses.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE J - AFFILIATED ORGANIZATION

The Foundation and the American Medical Association (the "AMA") are organizations affiliated through common members of their respective boards. The Foundation receives some of its management and operating support from the AMA and reimburses the AMA for direct expenses incurred. The total amount of expenses incurred with the AMA for the period January 1, 2014 through June 30, 2014 was \$650,463. Amounts due to the AMA, included in accounts payable and accrued expenses was \$93,274 as of June 30, 2014.

NOTE K - CONCENTRATIONS OF CREDIT RISK

1. Uninsured cash

The Foundation maintains its cash balance at a banking institution in Chicago, Illinois. This balance is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Foundation may, from time to time, have a balance in excess of FDIC insured deposit limits.

2. Major Donors

The Foundation had two donors in 2014 who accounted for approximately 30% of total contributions.

NOTE L - IN-KIND CONTRIBUTIONS

The Foundation received certain administrative support services from the AMA. The Foundation recorded \$48,690 for the period January 1, 2014 through June 30, 2014 for these services, as in-kind contributions and expenses.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2014, the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the statement of financial position date that require disclosure in the financial statements.