

**American Medical
Association Foundation**

**Financial Statements and
Independent Auditors' Report**

June 30, 2020 and 2019

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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 statements of financial position, as of June 30, 2020 and 2019, and the related statements of activities and cash flows, and functional expenses 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.

Auditors' 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 audits 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 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, 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.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., LTD.

Certified Public Accountants

Deerfield, Illinois
March 22, 2021

FINANCIAL STATEMENTS

American Medical Association Foundation
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,764,093	\$ 1,963,464
Contributions receivable, net of allowance for uncollectible pledges of \$27,821 in 2020 and 2019, respectively	1,057,349	1,422,374
Prepaid expenses and other	-	35,636
Investments	<u>22,680,204</u>	<u>23,620,509</u>
	<u>\$ 25,501,646</u>	<u>\$ 27,041,983</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES		
Accounts payable	\$ 220,467	\$ 323,212
Accrued expenses	46,523	110,855
Scholarships and grants payable	<u>377,614</u>	<u>499,150</u>
	<u>644,604</u>	<u>933,217</u>
 NET ASSETS		
Without donor restrictions	16,099,596	17,802,024
With donor restrictions	<u>8,757,446</u>	<u>8,306,742</u>
 Total net assets	 <u>24,857,042</u>	 <u>26,108,766</u>
	<u>\$ 25,501,646</u>	<u>\$ 27,041,983</u>

The accompanying notes are an integral part of these statements.

American Medical Association Foundation
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions and grants	\$ 1,151,320	\$ 583,773	\$ 1,735,093
Investment income, net of expenses	322,939	139,570	462,509
Net assets released from donor restrictions	263,166	(263,166)	-
Net asset transfers	(80,920)	80,920	-
Total Revenues	<u>1,656,505</u>	<u>541,097</u>	<u>2,197,602</u>
Expenses			
Grants and educational programs	1,468,082	-	1,468,082
Management and general	608,385	-	608,385
Fundraising	1,073,310	-	1,073,310
Total Expenses	<u>3,149,777</u>	<u>-</u>	<u>3,149,777</u>
Change in net assets before net realized and unrealized losses on investments	(1,493,272)	541,097	(952,175)
Net realized and unrealized losses on investments	(209,156)	(90,393)	(299,549)
CHANGE IN NET ASSETS	(1,702,428)	450,704	(1,251,724)
Net assets at beginning of year	<u>17,802,024</u>	<u>8,306,742</u>	<u>26,108,766</u>
Net assets at end of year	<u>\$ 16,099,596</u>	<u>\$ 8,757,446</u>	<u>\$ 24,857,042</u>

The accompanying notes are an integral part of this statement.

American Medical Association Foundation
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions and grants	\$ 1,557,752	\$ 882,741	\$ 2,440,493
Investment income, net of expenses	294,636	102,839	397,475
Net assets released from donor restrictions	210,421	(210,421)	-
Net asset transfers	52,115	(52,115)	-
Total Revenues	<u>2,114,924</u>	<u>723,044</u>	<u>2,837,968</u>
Expenses			
Grants and educational programs	988,985	-	988,985
Management and general	788,457	-	788,457
Fundraising	1,375,759	-	1,375,759
Total Expenses	<u>3,153,201</u>	<u>-</u>	<u>3,153,201</u>
Change in net assets before net realized and unrealized gains on investments	(1,038,277)	723,044	(315,233)
Net realized and unrealized gains on investments	530,357	180,093	710,450
CHANGE IN NET ASSETS	(507,920)	903,137	395,217
Net assets at beginning of year	<u>18,309,944</u>	<u>7,403,605</u>	<u>25,713,549</u>
Net assets at end of year	<u>\$ 17,802,024</u>	<u>\$ 8,306,742</u>	<u>\$ 26,108,766</u>

The accompanying notes are an integral part of this statement.

American Medical Association Foundation
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services					Supporting Services				
	Physicians of Tomorrow	EIM Awards	Community Health Initiatives	Leadership Development Institute	General Program Services	Total Program Services	Management and General	(Note M) Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 41,652	\$ -	\$ 56,604	\$ 41,652	\$ 30,972	\$ 170,880	\$ 400,333	\$ 453,151	\$ 853,484	\$ 1,024,364
Temporary help	-	-	-	-	-	-	14,725	40,945	55,670	55,670
Staff travel	-	-	-	6,980	284	7,264	7,639	44,325	51,964	59,228
Non-staff travel	2,857	414	-	4,355	-	7,626	-	643	643	8,269
Board travel	-	-	-	-	-	-	8,009	796	8,805	8,805
Meeting expenses	-	-	-	13,081	-	13,081	7,706	93,473	101,179	114,260
Community health	-	-	251,815	-	-	251,815	-	-	-	251,815
Scholarship awards	270,000	-	-	-	-	270,000	-	-	-	270,000
Grants	10,000	-	-	-	-	10,000	-	-	-	10,000
Other grants and awards	-	-	-	-	471,356	471,356	-	-	-	471,356
Outside services	-	-	-	17,500	8,250	25,750	37,025	61,070	98,095	123,845
Printing and production	-	-	-	-	-	-	378	34,124	34,502	34,502
AMA fees - occupancy	6,986	-	9,493	6,985	5,194	28,658	46,653	57,983	104,636	133,294
AMA fees - legal	-	-	-	-	-	-	600	-	600	600
AMA fees - finance	-	-	-	-	846	846	2,574	3,200	5,774	6,620
AMA fees - in-kind	6,835	-	9,289	6,836	5,083	28,043	45,650	193,736	239,386	267,429
Postage	-	-	-	-	30	30	1,258	34,185	35,443	35,473
Supplies	-	-	-	-	251	251	5,478	1,428	6,906	7,157
Telephone and teleconference	-	-	-	-	577	577	940	1,168	2,108	2,685
Office expenses	-	-	-	14,133	21,602	35,735	24,860	32,960	57,820	93,555
Banking fees	-	-	-	-	-	-	625	7,173	7,798	7,798
Insurance	-	-	-	-	-	-	3,932	-	3,932	3,932
Administrative	75,250	3,894	35,392	3,629	28,005	146,170	-	-	-	146,170
Bad debt	-	-	-	-	-	-	-	12,950	12,950	12,950
Total expenses on Statement of Activities	\$ 413,580	\$ 4,308	\$ 362,593	\$ 115,151	\$ 572,450	\$ 1,468,082	\$ 608,385	\$ 1,073,310	\$ 1,681,695	\$ 3,149,777

Miller Cooper & Co., Ltd.

The accompanying notes are an integral part of this statement.

American Medical Association Foundation
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services						Supporting Services			
	Physicians of Tomorrow	EIM Awards	Community Health Initiatives	Leadership Development Institute	General Program Services	Total Program Services	Management and General	(Note M) Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 44,342	\$ 26,084	\$ 62,601	\$ 44,342	\$ 31,300	\$ 208,669	\$ 471,000	\$ 514,735	\$ 985,735	\$ 1,194,404
Staff travel	-	-	-	-	36	36	2,033	68,609	70,642	70,678
Non-staff travel	1,890	5,765	-	13,560	1,835	23,050	81	10,664	10,745	33,795
Board travel	-	-	-	-	-	-	14,352	3,411	17,763	17,763
Meeting expenses	-	-	-	4,290	-	4,290	18,703	287,341	306,044	310,334
Community health	-	-	239,150	-	-	239,150	-	-	-	239,150
Grants	-	-	-	7,545	-	7,545	-	-	-	7,545
Scholarship awards	235,000	-	-	-	-	235,000	-	-	-	235,000
Other grants and awards	20,000	16,000	-	-	10,832	46,832	-	-	-	46,832
Outside services	-	-	-	352	3,709	4,061	31,825	116,773	148,598	152,659
Printing and production	-	1,275	-	180	-	1,455	-	17,064	17,064	18,519
AMA fees - occupancy	6,094	3,585	8,603	6,094	4,301	28,677	46,682	58,019	104,701	133,378
AMA fees - legal	-	-	-	-	-	-	675	-	675	675
AMA fees - finance	-	-	-	-	1,520	1,520	2,569	3,148	5,717	7,237
AMA fees - in-kind	-	-	-	-	28,042	28,042	45,650	193,736	239,386	267,428
Postage	-	-	-	2,919	57	2,976	529	29,569	30,098	33,074
Supplies	-	6	-	694	-	700	2,680	12,920	15,600	16,300
Telephone and teleconference	-	-	-	-	567	567	959	1,175	2,134	2,701
Office expenses	-	-	10,200	-	14,311	24,511	26,289	36,313	62,602	87,113
Banking fees	-	-	-	-	-	-	558	12,282	12,840	12,840
Insurance	-	-	-	-	-	-	3,872	-	3,872	3,872
Administrative	65,126	3,962	32,765	3,466	26,585	131,904	-	-	-	131,904
Bad debt	-	-	-	-	-	-	120,000	10,000	130,000	130,000
Total expenses on Statement of Activities	\$ 372,452	\$ 56,677	\$ 353,319	\$ 83,442	\$ 123,095	\$ 988,985	\$ 788,457	\$ 1,375,759	\$ 2,164,216	\$ 3,153,201

Miller Cooper & Co., Ltd.

The accompanying notes are an integral part of this statement.

American Medical Association Foundation
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (1,251,724)	\$ 395,217
Adjustments to reconcile change in net assets to net cash used in operating activities		
Contributions restricted for long-term investment	(478,834)	(349,208)
Investment income restricted for long-term investment	(11,575)	(24,862)
Net realized and unrealized losses (gains) on investments	299,549	(710,450)
Bad debt expense	-	(26,000)
(Increase) decrease in assets		
Contributions receivable	365,025	(659,792)
Prepaid expenses and other	35,636	6,886
Increase (decrease) in liabilities		
Accounts payable	(102,745)	176,118
Accrued expenses	(64,332)	668
Scholarships and grants payable	(121,536)	329,575
Net cash used in operating activities	<u>(1,330,536)</u>	<u>(861,848)</u>
Cash flows from investing activities		
Purchases of investments	(12,886,341)	(11,310,916)
Sales of investments	13,527,097	11,830,641
Net cash provided by investing activities	<u>640,756</u>	<u>519,725</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	478,834	349,208
Investment income restricted for long-term investment	11,575	24,862
Net cash provided by financing activities	<u>490,409</u>	<u>374,070</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(199,371)	31,947
Cash and cash equivalents, beginning of year	<u>1,963,464</u>	<u>1,931,517</u>
Cash and cash equivalents, end of year	<u>\$ 1,764,093</u>	<u>\$ 1,963,464</u>

The accompanying notes are an integral part of these statements.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A - NATURE OF ORGANIZATION

The American Medical Association Foundation (the "Foundation") was established in 1957, as an Illinois not-for-profit corporation, with the goals of advancing science, setting medical education standards, and launching medical ethics and public health programs. Since that time, the organization has played a crucial role in the development of medicine in the United States and has worked to create a healthier future for patients, including advocating against racial and ethnic disparities in healthcare.

The American Medical Association's ("AMA") mission is to promote the art and science of medicine and the betterment of public health.

The AMA Foundation is the philanthropic arm of the AMA; a 501(c)3 dedicated to recognizing outstanding medical leaders and supporting innovative community health initiatives.

The AMA Foundation's mission is to bring together physicians and community to improve our nation's health.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications (see Note B-10):

Net assets without donor restrictions : Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and board of directors.

Net assets with donor restrictions : Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature: those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Contributions that are donor-restricted for which the restriction is satisfied in the same reporting period are classified as without donor restrictions.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements of financial position (see Note D). Unrealized and realized gains and losses are included in the statements 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.

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.

The Foundation recognizes the estimated fair value of donated items as both revenue and expense in the period received if either (a) a nonfinancial asset is created or enhanced or (b) the Foundation would have more likely than not purchased the goods if not otherwise provided.

The Foundation records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Contributions (Continued)

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 assets without donor restrictions 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 asset with donor restricted revenue.

5. Grants Payable

Grants payable represent unconditional promises to give cash and are recorded as liabilities when they are authorized by the Board of Directors. Grants that are payable in one year or less are recorded at their net settlement value. All grants payable at June 30, 2020 and 2019 are payable in one year or less. There were no conditional promises to give as of June 30, 2020 and 2019.

6. 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.

7. Investment Income

Investment income is allocated annually to assets with donor restrictions if stipulated by the original donor. The allocation is based on the average assets with donor restricted balances for the year.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Functional Allocation of Expenses

The cost of providing the Foundation's programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, costs associated with a specific program are charged directly to that program or supporting service. Costs that benefit more than one program or supporting service have been allocated among the programs and supporting services benefited based on an equitable basis.

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Direct
Temporary help	Direct
Staff travel	Direct
Non-staff travel	Direct
Board travel	Direct
Meeting expenses	Direct
Community health	Direct
Grants	Direct
Scholarship awards	Direct
Other grants and awards	Direct
Outside services	Direct and Full-Time Equivalents
Printing and production	Direct
AMA fees - occupancy	Square Footage
AMA fees - legal	Square Footage
AMA fees - finance	Square Footage
AMA fees - in-kind	Direct
Postage	Direct
Supplies	Direct
Telephone and teleconference	Square Footage
Office expenses	Full-Time Equivalents
Banking fees	Direct
Insurance	Direct
Administrative	Full-Time Equivalents
Bad debt	Direct

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. 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 (U.S. 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, 2020 and 2019, 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.

10. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash equivalents, contributions receivable, 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 D.

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.

11. New Accounting Pronouncement

Contributions Received and Contributions Made

The Foundation adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Adoption of this standard did not result in a change in the timing or amount of revenue recognized, and therefore the adoption of this standard did not have a material impact on the financial position, results of operations, or business practices of the Foundation.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Significant Accounting Standards Applicable in Future Years

Revenue Recognition

The Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*, (Topic 606) (ASU 2014-09), in May 2014. ASU 2014-09 sets forth a new five-step revenue recognition model that will require the use of more estimates and judgment. ASU 2014-09 will replace current revenue recognition requirements in Topic 605, *Revenue Recognition*, in its entirety. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in prior accounting guidance. ASU 2014-09 is effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and should be applied retrospectively in the year the ASU is first applied using one of two allowable application methods.

ASU 2014-09 is effective for the Foundation's June 30, 2021 financial statements and thereafter. Management is currently evaluating the effect that ASU 2014-09 will have on the Foundation's financial statements.

NOTE C - AVAILABILITY AND LIQUIDITY

As of June 30, 2020 and 2019, the following tables shows the total financial assets held by the Foundation and the amounts of those financial assets could be readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year end:		
Cash and cash equivalents	\$ 1,764,093	\$ 1,963,464
Contributions receivables, net	1,057,349	1,422,374
Investments	<u>22,680,204</u>	<u>23,620,509</u>
Total financial assets	<u>\$ 25,501,646</u>	<u>\$ 27,006,347</u>
Financial assets available to meet general expenditures over the next 12 months		
Cash and cash equivalents	\$ 1,764,093	\$ 1,963,464
Contributions receivables, net of allowance	289,940	655,235
Investments not encumbered by donor or board restrictions	<u>13,922,758</u>	<u>15,246,760</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 15,976,791</u>	<u>\$ 17,865,459</u>

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE C - AVAILABILITY AND LIQUIDITY (Continued)

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments. As part of its fiduciary duties, the AMA Foundation Board of Directors remain committed to improving the operational efficiencies of the organization. More specifically, the Board unanimously approved an extended version of its 2017-2019 Strategic Plan, Strat Plan 2.0, for fiscal years 2020 through 2022, which includes the following goals:

Programming Goal:

By the end of FY22, the AMA Foundation – validated through measurable outcomes – will have further demonstrated its reach and impact, with adaptable program models that can be shared for replication among our community stakeholders.

Financial Goal:

By the end of FY22, the AMA Foundation will build upon its sustainable revenue model in order to maintain financial stability while strengthening key performance indicators (as reported by charity monitoring services) and increasing our charitable mission.

Community Goal:

By the end of FY22, the AMA Foundation will have expanded and enriched its community engagement through new and strengthened relationships and collaborations. Now moving into its third year, its Community Health Program is focused on health equity by improving health outcomes among our most vulnerable populations.

NOTE D - 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.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

- 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.

- 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, 2020 and 2019

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth the Foundation's investments measured at fair value on a recurring basis and the basis of measurement as of June 30, 2020 and 2019:

	Investments at Fair Value as of June 30, 2020			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common Stocks				
Consumer Discretionary	\$ 992,965	\$ -	\$ -	\$ 992,965
Consumer Staples	598,294	-	-	598,294
Energy	104,561	-	-	104,561
Financials	1,070,838	-	-	1,070,838
Healthcare	1,105,747	-	-	1,105,747
Industrials	1,411,907	-	-	1,411,907
Information Technology	993,585	-	-	993,585
Materials	250,589	-	-	250,589
Telecommunication Services	271,865	-	-	271,865
Real Estate	143,375	-	-	143,375
Utilities	55,867	-	-	55,867
Equity Funds				
International	6,048,711	-	-	6,048,711
Large cap	5,050,486	-	-	5,050,486
Fixed Income				
Treasury and Federal Agencies	-	784,455	-	784,455
State and Municipal	-	697,760	-	697,760
Foreign	-	96,876	-	96,876
Corporate bonds	-	3,002,323	-	3,002,323
	\$ 18,098,790	\$ 4,581,414	\$ -	\$ 22,680,204

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

	Investments at Fair Value as of June 30, 2019			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common stocks				
Consumer Discretionary	\$ 1,009,085	\$ -	\$ -	\$ 1,009,085
Consumer Staples	504,478	-	-	504,478
Energy	545,869	-	-	545,869
Financials	1,659,854	-	-	1,659,854
Healthcare	1,126,643	-	-	1,126,643
Industrials	1,361,942	-	-	1,361,942
Information Technology	1,224,648	-	-	1,224,648
Materials	154,206	-	-	154,206
Telecommunications Services	34,059	-	-	34,059
Real Estate	191,503	-	-	191,503
Utilities	205,593	-	-	205,593
Equity Mutual Funds				
International	6,314,616	-	-	6,314,616
Large Cap	4,568,071	-	-	4,568,071
Fixed Income				
Treasury and Federal Agencies	-	1,278,614	-	1,278,614
State and Municipal	-	727,528	-	727,528
International	-	121,527	-	121,527
Corporate Bonds	-	2,592,273	-	2,592,273
	<u>\$ 18,900,567</u>	<u>\$ 4,719,942</u>	<u>\$ -</u>	<u>\$ 23,620,509</u>

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Total investment returns for 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Investment income, net of expenses		
Dividends and interest	\$ 596,934	\$ 529,543
Investment management fees	<u>(134,425)</u>	<u>(132,068)</u>
Investment income, net	<u>\$ 462,509</u>	<u>\$ 397,475</u>
Net realized gains	\$ 508,087	\$ 1,047,673
Net unrealized losses	<u>(807,636)</u>	<u>(337,223)</u>
Net realized and unrealized (losses) gains	<u>\$ (299,549)</u>	<u>\$ 710,450</u>

NOTE E - INVESTMENTS

Investments consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ 6,902,785	\$ 6,999,593	\$ 7,448,337	\$ 8,017,880
Equity mutual funds	10,085,300	11,099,197	9,335,873	10,882,687
Fixed income	<u>4,381,400</u>	<u>4,581,414</u>	<u>4,672,432</u>	<u>4,719,942</u>
	<u>\$ 21,369,485</u>	<u>\$ 22,680,204</u>	<u>\$ 21,456,642</u>	<u>\$ 23,620,509</u>

At June 30, 2020 and 2019, \$1,311,122 and \$1,499,716 of cash and cash equivalents were included in the investment brokerage account, respectively, which are included in cash and cash equivalents on the statements of financial position.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE E - INVESTMENTS (Continued)

The following table reflects the maturity dates of fixed income securities at their fair value as of June 30, 2020:

2021	\$	963,638
2022		570,567
2023		387,550
2024		413,383
2025		275,235
Thereafter		<u>1,934,115</u>
	\$	<u><u>4,544,488</u></u>

The following table reflects the maturity dates of fixed income securities at their fair value as of June 30, 2019:

2020	\$	861,003
2021		983,756
2022		739,024
2023		383,222
2024		271,606
Thereafter		<u>1,481,331</u>
	\$	<u><u>4,719,942</u></u>

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE F - PLEDGES RECEIVABLE, NET

Future collections of pledges receivable are anticipated as follows as of June 30, 2020:

Fiscal year ending June 30,	
2021	\$ 317,761
2022	126,717
2023	98,417
2024	89,834
2025	173,383
Thereafter	<u>374,663</u>
	1,180,775
Discount	(95,605)
Allowance for uncollectible pledges	<u>(27,821)</u>
	<u>\$ 1,057,349</u>

The discount rate used was 1.89% and 1.76% for pledges received during the years ended June 30, 2020 and 2019, respectively.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

The Foundation receives grants and contributions restricted for education and community health initiatives. Net assets with donor restrictions due to time and purpose are available for the following purposes as restricted by donors as of June 30 2020 and 2019:

	2020	2019
Arthur N. Wilson Scholarships for Students from Southeast Alaska	\$ 479	\$ 476
General Scholarship Fund Awards	72	1,865
Grants for research on women in medicine program	126,124	147,915
Minority scholar awards	184	195
Grants for physicians of tomorrow scholarship program	69,306	135,203
Grants for the study of cardiovascular disorders	-	738
Dr. Richard Allen Williams and Genita Evangelista Johnson/ABC Fund	90,505	93,605
Grants for the study of neoplastic disorders	1,609	1,609
Honor Funds	65,759	1,351,516
Grants for other trusts and research	129,052	396,639
Perpetual in nature (see Note I)	8,274,356	6,176,981
	<u>\$ 8,757,446</u>	<u>\$ 8,306,742</u>

NOTE H - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During 2020 and 2019, the following net assets were released from donor restrictions by satisfying the stated restricted purposes, the passage of time or by occurrence of other events specified by donors:

	2020	2019
General Scholarship Fund Awards	\$ 2,793	\$ -
Grants for research on women in medicine program	21,672	21,094
Grants for physicians of tomorrow scholarship program	64,263	1,428
Dr. Richard Allen Williams and Genita Evangelista Johnson/ABC Fund	3,100	-
Honor Funds	90,248	50,491
Grants for community health program, other trusts and research	81,090	137,408
	<u>\$ 263,166</u>	<u>\$ 210,421</u>

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (PERPETUAL IN NATURE)

Net assets with donor restrictions that are perpetual in nature 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.

The Named Funds are restricted in perpetuity by the individual donors for the programs of their choosing including medical scholarship, community health programs, and unrestricted purposes.

Honor Funds

When Honor Fund contributions reach \$25,000, a permanent endowment fund is established.

The Alliance Grassroots Honor Fund was established to help fund the Foundation's public health and medical education programs. 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 will support pancreatic cancer research.

The California / Ronald P. Bangasser, MD Memorial Honor Fund was established to help fund the Foundation's medical education programs. The earnings of the Fund 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. The earnings of the Fund 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.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (PERPETUAL IN NATURE) (Continued)

Honor Funds (Continued)

The International Medical Graduates Honor Fund was established to help fund the Foundation's health literacy programs. The earnings of the Fund will support the Foundation's community health initiatives.

The Council on Medical Service Honor Fund was established to help fund the Foundation's public health or medical education programs. The earnings of the Fund support community health initiatives.

The Council on Legislation Honor Fund was established to help fund the Foundation's Leadership Development Institute. The earnings of the Fund support the Foundations Leadership Development Institute program.

The Oklahoma 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 Oklahoma.

The Illinois Honor Fund was established to help fund the Foundation's medical education programs. The earnings of the Fund provide support for Illinois medical students who are actively involved in organized medicine.

The Indiana Honor Fund was established to help fund the Foundation's Leadership Development Institute. The fund currently is distributing \$5,000 annually regardless of funding level in support of the Leadership Development Institute. The Fund will solidify their program choices when the fund reaches \$250,000.

The Missouri Honor Fund was established to help fund the Foundation's public health programs. Earnings of the Fund will provide support for Missouri patients through the Foundation's public health programs.

The Formica-Riggs New Jersey Honor Fund was established to help fund the Foundation's medical education programs. The earnings from the Fund support the Foundation's Physicians of Tomorrow scholarship program, and will become more closely designated to support medical students in New Jersey.

The Western Mountain Past Presidents Honor Fund was established in fiscal year 2018. The fund will solidify their program choice before the fund reaches \$250,000.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (PERPETUAL IN NATURE) (Continued)

Honor Funds (Continued)

The LGBTQ Honor Fund was established to support AMA Foundation initiatives that address LGBTQ healthcare disparities. The earnings from the Fund will support fellowships that graduate specialists in LGBTQ Health.

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.

The Vandenberg Health Equity Fund was established in fiscal year 2020. The fund permanently establishes the David Jones Peck, MD Health Equity Scholarship as well as the Dream MD Equity Scholarship.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (PERPETUAL IN NATURE) (Continued)

Honor Funds (Continued)

The balance of each of the funds of net assets with donor restrictions that were perpetual in nature as of June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
General Endowment Fund	\$ 322,610	\$ 322,610
Named Funds	2,798,105	1,406,646
Honor Funds		
Alliance Grassroots Honor Fund	364,295	363,854
Ohio Honor Fund	578,208	383,064
Ronald M. Davis, MD Legacy Honor Fund	351,234	352,827
California / Ronald P. Bangasser, MD Memorial Honor Fund	222,222	216,430
North Central Medical Conference / Kenneth Viste, MD Memorial Honor Fund	221,427	219,143
Medical Society of the State of New York / Dr. Duane and Joyce Cady Honor Fund	336,337	325,260
International Medical Graduates Honor Fund	188,035	168,570
Council on Medical Service Honor Fund	178,041	154,389
Oklahoma Honor Fund	165,308	166,375
Illinois Honor Fund	259,371	254,351
Indiana Honor Fund	112,432	96,727
Missouri Honor Fund	319,076	290,091
Formica Riggs New Jersey Honor Fund	270,213	184,823
Western Mountain Past Presidents Honor Fund	122,633	89,658
Council on Legislation Honor Fund	116,592	91,726
LGBTQ Honor Fund	332,521	74,741
Mary Francis Alexander Fund	243,178	243,178
Dr. Johnson F. Hammond Memorial Fund	107,758	107,758
Lurah L. Weaver Memorial Fund	664,760	664,760
Vandenberg Health Equity Fund	461,269	-
	<u>\$ 8,274,356</u>	<u>\$ 6,176,981</u>

Nineteen individual funds comprise the grouped Named Funds in the table above. Also, decreases in fund balances above are due to instances where administrative fees assessed to the fund are greater than annual investment returns allocated to the fund.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (PERPETUAL IN NATURE) (Continued)

Honor Funds (Continued)

Interpretation of Existing Relevant State Law

The Board of Trustees has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 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, 2020 and 2019

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (PERPETUAL IN NATURE) (Continued)

Honor Funds (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 Years Ended June 30, 2020 and 2019:

	June 30, 2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 6,222,910	\$ 6,222,910
Investment return:			
Investment income	-	56,358	56,358
Net depreciation (realized and unrealized)	-	(32,787)	(32,787)
Total investment return	-	23,571	23,571
Contributions	-	557,090	557,090
Net asset transfers from non-endowment restricted net assets	-	1,568,633	1,568,633
Expenditures	-	(97,848)	(97,848)
Endowment net assets, end of year	\$ -	\$ 8,274,356	\$ 8,274,356

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (PERPETUAL IN NATURE) (Continued)

Honor Funds (Continued)

Endowment Net Asset Composition and Changes in Endowment Net Assets as of and for the Years Ended June 30, 2020 and 2019: (Continued)

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 5,868,574	\$ 5,868,574
Investment return:			
Investment income	-	39,265	39,265
Net appreciation (realized and unrealized)	-	69,496	69,496
Total investment return	-	108,761	108,761
Contributions	-	349,208	349,208
Net asset transfers from non-endowment restricted net assets	-	13,376	13,376
Expenditures	-	(117,009)	(117,009)
Endowment net assets, end of year	\$ -	\$ 6,222,910	\$ 6,222,910

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, development 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 years ended June 30, 2020 and 2019 was \$1,311,579 and \$1,438,205, respectively. Amounts due to the AMA, included in accounts payable and accrued expenses, was \$106,781 and \$111,231 as of June 30, 2020 and 2019, respectively.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE K - CONCENTRATIONS OF CREDIT RISK

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.

NOTE L - IN-KIND CONTRIBUTIONS

The Foundation received certain administrative support services and a master membership listing from the AMA. The Foundation recorded \$267,428 and \$267,428 for the years ended June 30, 2020 and 2019, respectively, for these services and gifts, as in-kind contributions and expenses.

NOTE M - FUNDRAISING EXPENSES

Fiscal year 2019 fundraising expenses on the statement of functional expenses includes \$277,632 of one-time specific event expenses. Fiscal year 2020 and 2019 fundraising expenses on the statements of functional expenses also include \$137,000 of the expense related to the master membership listing from the AMA (Note L).

NOTE N - RISKS AND UNCERTAINTY

The direct and indirect impacts of the current COVID-19 outbreak on the Foundation's investment and donors are currently unknown, as is the duration and severity of any impacts that the Foundation may experience. Management is currently unable to quantify the effects that this situation will have on its operations, cash flows, and financial position; however, they may be significant. No adjustments relating to the effects of COVID-19 have been recorded in these financial statements.

NOTE O - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2021, 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.