

**American Medical  
Association Foundation**

**Financial Statements and  
Independent Auditors' Report**

**June 30, 2021 and 2020**

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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, 2021 and 2020, the related statements of activities, 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.

### **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)



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**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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MILLER, COOPER & CO., LTD.



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Certified Public Accountants

Deerfield, Illinois  
May 13, 2022

## FINANCIAL STATEMENTS

# American Medical Association Foundation

## STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,776,023	\$ 1,764,093
Contributions receivable, net of allowance for uncollectible pledges of \$100,070 and \$27,821 in 2021 and 2020, respectively	1,266,631	1,057,349
Prepaid expenses and other	2,857	-
Investments	29,043,320	22,680,204
	<u>\$ 32,088,831</u>	<u>\$ 25,501,646</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 135,670	\$ 220,467
Accrued expenses	79,656	46,523
Scholarships and grants payable	1,200,398	377,614
	<u>1,415,724</u>	<u>644,604</u>
NET ASSETS		
Without donor restrictions	19,154,851	16,109,211
With donor restrictions	11,518,256	8,747,831
	<u>30,673,107</u>	<u>24,857,042</u>
Total net assets	<u>\$ 32,088,831</u>	<u>\$ 25,501,646</u>

The accompanying notes are an integral part of these statements.

**American Medical Association Foundation**

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

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	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants	\$ 1,121,800	\$ 886,591	\$ 2,008,391
Investment income, net of expenses	185,676	77,804	263,480
Net assets released from donor restrictions	265,564	(265,564)	-
Net asset transfers	61,882	(61,882)	-
Total Revenues	1,634,922	636,949	2,271,871
Expenses			
Grants and educational programs	1,848,502	-	1,848,502
Management and general	714,434	-	714,434
Fundraising	1,117,938	-	1,117,938
Total Expenses	3,680,874	-	3,680,874
Change in net assets before net realized and unrealized gains on investments	(2,045,952)	636,949	(1,409,003)
Net realized and unrealized gains on investments	5,091,592	2,133,476	7,225,068
CHANGE IN NET ASSETS	3,045,640	2,770,425	5,816,065
Net assets at beginning of year	16,109,211	8,747,831	24,857,042
Net assets at end of year	\$ 19,154,851	\$ 11,518,256	\$ 30,673,107

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The accompanying notes are an integral part of this statement.

# American Medical Association Foundation

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants	\$ 1,160,935	\$ 574,158	\$ 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>1,666,120</u>	<u>531,482</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	(1,483,657)	531,482	(952,175)
Net realized and unrealized losses on investments	(209,156)	(90,393)	(299,549)
CHANGE IN NET ASSETS	(1,692,813)	441,089	(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>\$ 16,109,211</u>	<u>\$ 8,747,831</u>	<u>\$ 24,857,042</u>

The accompanying notes are an integral part of this statement.



**American Medical Association Foundation**  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2021

	Program Services						Supporting Services				
	Physicians of Tomorrow	EIM Awards	Community Health Initiatives	LGBTQ Fellowship	Leadership Development Institute	General Program Services	Total Program Services	Management and General	(Note M) Fundraising	Total Supporting Services	Total Expenses
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and benefits	30,252	7,563	30,252	30,252	30,252	22,689	151,260	477,049	535,225	1,012,274	1,163,534
Temporary help	-	-	-	-	-	-	-	13,331	53,323	66,654	66,654
Staff travel	-	-	-	-	-	-	-	319	-	319	319
Meeting expenses	-	-	-	-	-	-	-	948	5,257	6,205	6,205
Grants	162,400	6,000	110,266	147,000	-	1,008,762	1,434,428	-	-	-	1,434,428
Outside services	-	-	-	-	15,800	3,002	18,802	37,950	227,057	265,007	283,809
Printing and production	-	-	-	-	-	-	-	21	-	21	21
AMA fees	9,594	2,399	9,594	9,594	9,594	7,196	47,971	152,268	171,994	324,262	372,233
Postage	-	129	-	-	-	-	129	2,418	8,922	11,340	11,469
Supplies	-	718	-	-	-	-	718	2,268	3,182	5,450	6,168
Telephone and teleconference	153	38	153	153	153	115	765	2,332	2,898	5,230	5,995
Office expenses	785	196	785	785	785	10,888	14,224	20,073	18,637	38,710	52,934
Banking fees	-	-	-	-	-	-	-	1,456	9,694	11,150	11,150
Insurance	-	-	-	-	-	-	-	4,001	-	4,001	4,001
Administrative	99,177	7,187	33,465	516	3,108	36,752	180,205	-	-	-	180,205
Bad debt	-	-	-	-	-	-	-	-	81,749	81,749	81,749
Total expenses on Statement of Activities	\$ 302,361	\$ 24,230	\$ 184,515	\$ 188,300	\$ 59,692	\$ 1,089,404	\$ 1,848,502	\$ 714,434	\$ 1,117,938	\$ 1,832,372	\$ 3,680,874

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, 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
Salaries and benefits	\$ 41,652	\$ -	\$ 56,604	\$ 41,652	\$ 30,972	\$ 170,880	\$ 400,333	\$ 453,151	\$ 853,484
Temporary help	-	-	-	-	-	-	14,725	40,945	55,670
Staff travel	-	-	-	6,980	284	7,264	7,639	44,325	51,964
Non-staff travel	2,857	414	-	4,355	-	7,626	-	643	8,269
Board travel	-	-	-	-	-	-	8,009	796	8,805
Meeting expenses	-	-	-	13,081	-	13,081	7,706	93,473	101,179
Grants	280,000	-	251,815	-	471,356	1,003,171	-	-	1,003,171
Outside services	-	-	-	17,500	8,250	25,750	37,025	61,070	98,095
Printing and production	-	-	-	-	-	-	378	34,124	34,502
AMA fees	13,821	-	18,782	13,821	11,123	57,547	95,477	254,919	350,396
Postage	-	-	-	-	30	30	1,258	34,185	35,443
Supplies	-	-	-	-	251	251	5,478	1,428	6,906
Telephone and teleconference	-	-	-	-	577	577	940	1,168	2,108
Office expenses	-	-	-	14,133	21,602	35,735	24,860	32,960	57,820
Banking fees	-	-	-	-	-	-	625	7,173	7,798
Insurance	-	-	-	-	-	-	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
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

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 5,816,065	\$ (1,251,724)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Contributions restricted for long-term investment	(502,627)	(478,834)
Investment income restricted for long-term investment	(31,526)	(11,575)
Net realized and unrealized losses (gains) on investments	(7,225,068)	299,549
Bad debt expense	72,249	-
(Increase) decrease in assets		
Contributions receivable	(281,531)	365,025
Prepaid expenses and other	(2,857)	35,636
Increase (decrease) in liabilities		
Accounts payable	(84,797)	(102,745)
Accrued expenses	33,133	(64,332)
Scholarships and grants payable	822,784	(121,536)
Net cash used in operating activities	<u>(1,384,175)</u>	<u>(1,330,536)</u>
Cash flows from investing activities		
Purchases of investments	(11,920,757)	(12,886,341)
Sales of investments	12,782,709	13,527,097
Net cash provided by investing activities	<u>861,952</u>	<u>640,756</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	502,627	478,834
Investment income restricted for long-term investment	31,526	11,575
Net cash provided by financing activities	<u>534,153</u>	<u>490,409</u>
CHANGE IN CASH AND CASH EQUIVALENTS	11,930	(199,371)
Cash and cash equivalents, beginning of year	<u>1,764,093</u>	<u>1,963,464</u>
Cash and cash equivalents, end of year	<u>\$ 1,776,023</u>	<u>\$ 1,764,093</u>

The accompanying notes are an integral part of these statements.

## American Medical Association Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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#### 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 Foundation 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:

*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, 2021 and 2020

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#### 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. Revenue and Revenue Recognition

###### Contribution Revenue

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, 2021 and 2020

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 4. Revenue and Revenue Recognition

###### Contribution Revenue (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.

###### Exchange Revenue

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenues from Contracts with Customers* (Topic 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized. The core principle of Topic 606 is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Topic 606 was effective for annual reporting periods beginning after December 15, 2019, and the Foundation adopted the new guidance with an initial effective date of July 1, 2020, utilizing the modified retrospective method of transition.

The Foundation has determined that the new guidance does not have a significant effect on reported amounts and, as a result, no adjustment as of July 1, 2020 is required. Adoption of the new guidance resulted in no material changes to the Foundation's accounting policies for revenue recognition.

The Foundation did not have any revenue streams that are within the scope of ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) during fiscal year 2021 or 2020.

## American Medical Association Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Grants that are payable in greater than one year are recorded at fair value using the net present value of their corresponding future cash flows. Discounts on grants payable, based on risk-adjusted interest rates, are amortized over the term of those grants and are recorded as grant expense and included in program expenses in the accompanying statements of activities.

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.

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. The expenses that are allocated are as follows:

## American Medical Association Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 8. Functional Allocation of Expenses (Continued)

<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
Grants	Direct
Outside services	Direct and Full-Time Equivalents
Printing and production	Direct
AMA fees	Square Footage and 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

##### 9. Income Taxes

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

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.



## American Medical Association Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 9. Income Taxes (Continued)

Management has analyzed the tax position taken by the Foundation and has concluded that as of June 30, 2021 and 2020, 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 or 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.

#### NOTE C - AVAILABILITY AND LIQUIDITY

As of June 30, 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,776,023	\$ 1,764,093
Contributions receivables, net	1,266,631	1,057,349
Investments	<u>29,043,320</u>	<u>22,680,204</u>
Total financial assets	<u>\$ 32,085,974</u>	<u>\$ 25,501,646</u>

## American Medical Association Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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#### NOTE C - AVAILABILITY AND LIQUIDITY (Continued)

Financial assets available to meet general expenditures over the next 12 months	2021	2020
Cash and cash equivalents	\$ 1,776,023	\$ 1,764,093
Contributions receivables, net of allowance	397,104	289,940
Investments not encumbered by donor or board restrictions	<u>17,525,064</u>	<u>13,922,758</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 19,698,191</u>	<u>\$ 15,976,791</u>

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 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 Foundation's stakeholders.

#### **Financial Goal:**

By the end of FY22, the 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 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.

## American Medical Association Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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#### 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.
- 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.

# American Medical Association Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE D - FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2021 and 2020:

	Investments at Fair Value as of June 30, 2021			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common Stocks				
Domestic	\$ 7,700,523	\$ -	\$ -	\$ 7,700,523
Foreign	1,309,629	-	-	1,309,629
Equity Funds				
International	7,786,295	-	-	7,786,295
Large cap	6,394,534	-	-	6,394,534
Fixed Income				
Treasury and Federal Agencies	-	1,937,893	-	1,937,893
State and Municipal	-	465,000	-	465,000
Foreign	-	140,927	-	140,927
Corporate bonds	-	3,308,519	-	3,308,519
	<u>\$ 23,190,981</u>	<u>\$ 5,852,339</u>	<u>\$ -</u>	<u>\$ 29,043,320</u>

# American Medical Association Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE D - FAIR VALUE MEASUREMENTS (Continued)

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				
Domestic	\$ 5,855,182	\$ -	\$ -	\$ 5,855,182
Foreign	1,144,411	-	-	1,144,411
Equity Mutual 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
International	-	96,876	-	96,876
Corporate Bonds	-	3,002,323	-	3,002,323
	<u>\$ 18,098,790</u>	<u>\$ 4,581,414</u>	<u>\$ -</u>	<u>\$ 22,680,204</u>

Total investment returns for 2021 and 2020 are summarized as follows:

	2021	2020
Investment income, net of expenses		
Dividends and interest	\$ 392,640	\$ 596,934
Investment management fees	(129,160)	(134,425)
Investment income, net	<u>\$ 263,480</u>	<u>\$ 462,509</u>
Net realized gains	\$ 1,391,784	\$ 508,087
Net unrealized gains (losses)	<u>5,833,284</u>	<u>(807,636)</u>
Net realized and unrealized (losses) gains	<u>\$ 7,225,068</u>	<u>\$ (299,549)</u>

# American Medical Association Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE E - INVESTMENTS

Investments consisted of the following as of June 30, 2021 and 2020:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Common stocks	\$ 6,760,090	\$ 9,005,685	\$ 6,902,785	\$ 6,999,593
Equity mutual funds	9,382,758	14,220,419	10,085,300	11,099,197
Fixed income	5,759,528	5,817,316	4,381,400	4,581,414
	<u>\$ 21,902,376</u>	<u>\$ 29,043,420</u>	<u>\$ 21,369,485</u>	<u>\$ 22,680,204</u>

At June 30, 2021 and 2020, \$1,337,583 and \$1,311,122 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.

The following table reflects the maturity dates of fixed income securities at their fair value as of June 30, 2021:

2022	\$ 358,654
2023	517,154
2024	1,361,955
2025	325,225
2026	1,011,922
Thereafter	<u>2,242,406</u>
	<u>\$ 5,817,316</u>

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

2021	\$ 1,000,564
2022	570,567
2023	387,550
2024	413,383
2025	275,235
Thereafter	<u>1,934,115</u>
	<u>\$ 4,581,414</u>

# American Medical Association Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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### NOTE F - PLEDGES RECEIVABLE, NET

Future collections of pledges receivable are anticipated as follows as of June 30, 2021:

Fiscal year ending June 30,	
2022	\$ 397,104
2023	170,772
2024	156,089
2025	137,739
2026	216,549
Thereafter	<u>377,164</u>
	1,455,417
Discount	(88,716)
Allowance for uncollectible pledges	<u>(100,070)</u>
	<u>\$ 1,266,631</u>

The discount rate used was 0.87% and 1.89% for pledges received during the years ended June 30, 2021 and 2020, respectively.

## American Medical Association Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### 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 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Arthur N. Wilson Scholarships for Students from Southeast Alaska	\$ 608	\$ 479
General Scholarship Fund Awards	92	72
Grants for research on women in medicine program	142,054	126,124
Minority scholar awards	81	184
Grants for physicians of tomorrow scholarship program	258,978	69,306
Dr. Richard Allen Williams and Genita Evangelista Johnson/ABC Fund	112,064	90,505
Grants for the study of neoplastic disorders	2,043	1,609
Honor Funds	517,624	67,709
Grants for community health programs, other trusts and research	851,857	126,431
Perpetual in nature (see Note I)	9,452,651	8,265,412
	<u>\$ 11,338,052</u>	<u>\$ 8,747,831</u>

#### NOTE H - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
General Scholarship Fund Awards	\$ -	\$ 2,793
Grants for research on women in medicine program	15,882	21,672
Grants for physicians of tomorrow scholarship program	69,492	64,263
Minority scholar awards	3,376	3,100
Grants for other trusts and research	7,710	90,248
Grants for Community Health Initiatives	169,104	81,090
	<u>\$ 265,564</u>	<u>\$ 263,166</u>



## American Medical Association Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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#### 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, 2021 and 2020

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

##### *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, 2021 and 2020

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

##### *Honor Funds* (Continued)

The LGBTQ Honor Fund was established to support the 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, 2021 and 2020

### NOTE 1 - 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
General Endowment Fund	\$ 322,610	\$ 322,610
Named Funds	2,881,092	2,327,892
Honor Funds		
Alliance Grassroots Honor Fund	391,610	364,295
Ohio Honor Fund	591,902	578,208
Ronald M. Davis, MD Legacy Honor Fund	352,534	351,234
California / Ronald P. Bangasser, MD Memorial Honor Fund	284,789	222,222
North Central Medical Conference / Kenneth Viste, MD Memorial Honor Fund	256,528	221,427
Medical Society of the State of New York / Dr. Duane and Joyce Cady Honor Fund	347,670	336,337
International Medical Graduates Honor Fund	317,947	188,035
Council on Medical Service Honor Fund	204,705	178,041
Oklahoma Honor Fund	187,588	165,308
Illinois Honor Fund	321,487	259,371
Indiana Honor Fund	138,066	112,432
Missouri Honor Fund	396,821	319,076
Formica Riggs New Jersey Honor Fund	310,761	270,213
Western Mountain Past Presidents Honor Fund	156,699	122,633
Council on Legislation Honor Fund	145,007	116,592
LGBTQ Honor Fund	229,483	332,521
Mary Francis Alexander Fund	275,953	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	566,881	461,269
	<u>\$ 9,452,651</u>	<u>\$ 8,265,412</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, 2021 and 2020

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

##### *Honor Funds* (Continued)

##### Interpretation of Existing Relevant State Law

The Board of Directors 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, 2021 and 2020

### 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, 2021 and 2020:

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 8,265,412	\$ 8,265,412
Investment return:			
Investment income	-	43,338	43,338
Net appreciation (realized and unrealized)	-	1,188,386	1,188,386
Total investment return	-	1,231,724	1,231,724
Contributions	-	502,627	502,627
Net asset transfers from non-endowment restricted net assets	-	(149,506)	(149,506)
Expenditures	-	(85,070)	(85,070)
Endowment net assets, end of year	\$ -	\$ 9,765,187	\$ 9,765,187

# American Medical Association Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### 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, 2021 and 2020: (Continued)

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
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	-	(106,792)	(106,792)
Endowment net assets, end of year	\$ -	\$ 8,265,412	\$ 8,265,412

### NOTE J - GRANTS PAYABLE

The Foundation provides grants for medical and various scholarships of which \$1,000,398 and \$200,000 are expected to be paid during the year ended June 30, 2022, respectively.

### NOTE K - AFFILIATED ORGANIZATION

The Foundation and 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, 2021 and 2020 was \$1,230,487 and \$1,311,579, respectively. Amounts due to the AMA, included in accounts payable and accrued expenses, was \$109,933 and \$106,781 as of June 30, 2021 and 2020, respectively.

## **American Medical Association Foundation**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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#### **NOTE L - 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 M - IN-KIND CONTRIBUTIONS**

The Foundation received certain administrative support services and a master membership listing from the AMA. The Foundation recorded \$256,094 and \$267,428 for the years ended June 30, 2021 and 2020 for these services and gifts, as in-kind contributions and expenses.

#### **NOTE N - FUNDRAISING EXPENSES**

Fiscal year 2021 and 2020 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 M).

#### **NOTE O - 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 P - RECLASSIFICATIONS**

Certain reclassifications have been made to the 2020 financial statements in order to conform with the 2021 presentation. These reclassification had no impact on the Foundation's changes in net assets or total net assets as previously reported.

#### **NOTE Q - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 13, 2022, 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.