

**American Medical
Association Foundation**

**Financial Statements and
Independent Auditors' Report**

June 30, 2022 and 2021

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MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Medical Association Foundation
Chicago, Illinois

Opinion

We have audited the financial statements of the American Medical Association Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
February 13, 2023

FINANCIAL STATEMENTS

American Medical Association Foundation
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,970,422	\$ 1,776,023
Contributions receivable, net of allowance for uncollectible pledges of \$100,070 in both 2022 and 2021	1,141,568	1,266,631
Prepaid expenses and other	-	2,857
Investments	<u>23,538,574</u>	<u>29,043,320</u>
	<u>\$ 26,650,564</u>	<u>\$ 32,088,831</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES		
Accounts payable	\$ 245,219	\$ 135,670
Accrued expenses	68,598	79,656
Scholarships and grants payable	<u>1,342,089</u>	<u>1,200,398</u>
	<u>1,655,906</u>	<u>1,415,724</u>
 NET ASSETS		
Without donor restrictions	14,702,287	19,348,062
With donor restrictions	<u>10,292,371</u>	<u>11,325,045</u>
 Total net assets	 <u>24,994,658</u>	 <u>30,673,107</u>
	<u>\$ 26,650,564</u>	<u>\$ 32,088,831</u>

The accompanying notes are an integral part of these statements.

American Medical Association Foundation
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions and grants	\$ 1,486,841	\$ 747,071	\$ 2,233,912
Investment income, net of expenses	271,363	169,996	441,359
Net assets released from donor restrictions	336,740	(336,740)	-
Net asset transfers	50,785	(50,785)	-
Total Revenues	<u>2,145,729</u>	<u>529,542</u>	<u>2,675,271</u>
Expenses			
Grants and educational programs	2,262,825	-	2,262,825
Management and general	880,294	-	880,294
Fundraising	1,154,703	-	1,154,703
Total Expenses	<u>4,297,822</u>	<u>-</u>	<u>4,297,822</u>
Change in net assets before net realized and unrealized gains on investments	(2,152,093)	529,542	(1,622,551)
Net realized and unrealized gains on investments	<u>(2,493,682)</u>	<u>(1,562,216)</u>	<u>(4,055,898)</u>
CHANGE IN NET ASSETS	(4,645,775)	(1,032,674)	(5,678,449)
Net assets at beginning of year	<u>19,348,062</u>	<u>11,325,045</u>	<u>30,673,107</u>
Net assets at end of year	<u>\$ 14,702,287</u>	<u>\$ 10,292,371</u>	<u>\$ 24,994,658</u>

The accompanying notes are an integral part of this statement.

American Medical Association Foundation
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions and grants	\$ 1,302,107	\$ 706,284	\$ 2,008,391
Investment income, net of expenses	185,676	77,804	263,480
Net assets released from donor restrictions	278,468	(278,468)	-
Net asset transfers	61,882	(61,882)	-
Total Revenues	<u>1,828,133</u>	<u>443,738</u>	<u>2,271,871</u>
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	<u>3,680,874</u>	<u>-</u>	<u>3,680,874</u>
Change in net assets before net realized and unrealized losses on investments	(1,852,741)	443,738	(1,409,003)
Net realized and unrealized losses on investments	<u>5,091,592</u>	<u>2,133,476</u>	<u>7,225,068</u>
CHANGE IN NET ASSETS	3,238,851	2,577,214	5,816,065
Net assets at beginning of year	<u>16,109,211</u>	<u>8,747,831</u>	<u>24,857,042</u>
Net assets at end of year	<u>\$ 19,348,062</u>	<u>\$ 11,325,045</u>	<u>\$ 30,673,107</u>

The accompanying notes are an integral part of this statement.

American Medical Association Foundation
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

Miller Cooper & Co., Ltd.

	Program Services						Supporting Services				Total Expenses
	Physicians of Tomorrow	EIM Awards	Community Health Initiatives	LGBTQ Fellowship	Leadership Development Institute	General Program Services	Total Program Services	Management and General	(Note L) Fundraising	Total Supporting Services	
Salaries and benefits	\$ 36,417	\$ 9,104	\$ 36,417	\$ 36,417	\$ 36,417	\$ 27,313	\$ 182,085	\$ 463,502	\$ 500,237	\$ 963,739	\$ 1,145,824
Temporary help	-	-	-	85,292	-	-	85,292	-	9,023	9,023	94,315
Staff travel	-	775	-	27,869	12,428	-	41,072	11,657	8,995	20,652	61,724
Meeting expenses	-	-	-	33,575	1,884	-	35,459	5,344	65,784	71,128	106,587
Grants	345,215	31,672	313,271	106,241	404,446	432,707	1,633,552	-	-	-	1,633,552
Outside services	-	9,000	-	6,612	19,500	-	35,112	144,807	398,771	543,578	578,690
Printing and production	-	583	-	35	-	-	618	444	938	1,382	2,000
AMA fees	-	-	-	-	-	-	-	230,134	137,000	367,134	367,134
Postage	-	-	-	200	-	-	200	2,528	10,454	12,982	13,182
Supplies	-	1,544	-	414	360	-	2,318	1,670	4,747	6,417	8,735
Telephone and teleconference	-	-	-	-	-	-	-	3,423	-	3,423	3,423
Office expenses	-	-	-	6,200	-	9,500	15,700	39,954	8,767	48,721	64,421
Banking fees	-	-	-	-	-	-	-	1,237	9,987	11,224	11,224
Insurance	-	-	-	-	-	-	-	4,181	-	4,181	4,181
Administrative	99,910	8,166	18,157	1,923	7,996	95,265	231,417	(28,587)	-	(28,587)	202,830
Total expenses on Statement of Activities	\$ 481,542	\$ 60,844	\$ 367,845	\$ 304,778	\$ 483,031	\$ 564,785	\$ 2,262,825	\$ 880,294	\$ 1,154,703	\$ 2,034,997	\$ 4,297,822

The accompanying notes are an integral part of this statement.

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

Miller Cooper & Co., Ltd.

	Program Services						Supporting Services				Total Expenses
	Physicians of Tomorrow	EIM Awards	Community Health Initiatives	LGBTQ Fellowship	Leadership Development Institute	General Program Services	Total Program Services	Management and General	(Note L) Fundraising	Total Supporting Services	
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 and other	-	-	-	-	-	-	-	-	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

The accompanying notes are an integral part of this statement.

American Medical Association Foundation
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (5,678,449)	\$ 5,816,065
Adjustments to reconcile change in net assets to net cash used in operating activities		
Contributions restricted for long-term investment	(320,652)	(502,627)
Investment income restricted for long-term investment	(42,431)	(31,526)
Net realized and unrealized losses (gains) on investments	4,055,898	(7,225,068)
Bad debt expense	-	72,249
(Increase) decrease in assets		
Contributions receivable	125,063	(281,531)
Prepaid expenses and other	2,857	(2,857)
Increase (decrease) in liabilities		
Accounts payable	109,549	(84,797)
Accrued expenses	(11,058)	33,133
Scholarships and grants payable	141,691	822,784
Net cash used in operating activities	(1,617,532)	(1,384,175)
Cash flows from investing activities		
Purchases of investments	(22,252,270)	(11,920,757)
Sales of investments	23,701,118	12,782,709
Net cash provided by investing activities	1,448,848	861,952
Cash flows from financing activities		
Contributions restricted for long-term investment	320,652	502,627
Investment income restricted for long-term investment	42,431	31,526
Net cash provided by financing activities	363,083	534,153
CHANGE IN CASH AND CASH EQUIVALENTS	194,399	11,930
Cash and cash equivalents, beginning of year	1,776,023	1,764,093
Cash and cash equivalents, end of year	\$ 1,970,422	\$ 1,776,023

The accompanying notes are an integral part of these statements.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, whereby 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, 2022 and 2021

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, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Revenue and Revenue Recognition (Continued)

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 net assets without donor restrictions 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 net assets with donor restrictions.

Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07). ASU 2020-07 is intended to clarify the presentation and disclosure of contributed nonfinancial assets. ASU 2020-07 requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The adoption of ASU 2020-07 in 2022 did not have a significant impact on the Foundation's financial statements. See Note L.

American Medical Association Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

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.

Grants authorized but unpaid at June 30, 2022, are payable in 2023. At June 30, 2022, the Foundation had awarded an additional grant totaling \$643,649, which were conditional on the executive committee's approval. These conditional grants were not reflected in the financial statements as of June 30, 2022.

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, 2022 and 2021

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. The expenses that are allocated are as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and Effort
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	Direct
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).

American Medical Association Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Income Taxes (Continued)

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, 2022 and 2021, 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, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,970,422	\$ 1,776,023
Contributions receivables, net	1,141,568	1,266,631
Investments	<u>23,538,574</u>	<u>29,043,320</u>
Total financial assets	<u>\$ 26,650,564</u>	<u>\$ 32,085,974</u>

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE C - AVAILABILITY AND LIQUIDITY (Continued)

	<u>2022</u>	<u>2021</u>
Financial assets available to meet general expenditures over the next 12 months		
Cash and cash equivalents	\$ 1,970,422	\$ 1,776,023
Contributions receivables, net of allowance	435,110	397,104
Investments not encumbered by donor or board restrictions	<u>13,246,203</u>	<u>17,718,275</u>
 Total financial assets available to meet general expenditures over the next 12 months	 <u>\$ 15,651,735</u>	 <u>\$ 19,891,402</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 a 2023-2025 Strategic Plan which includes the following goals:

Programming Goal:

By the end of FY 2025, through its partnership with the AMA and other stakeholders, the Foundation will further execute its health equity program portfolio including its core education and medical leadership programs.

Financial Goal:

By the end of FY 2025, partnered with the AMA and other stakeholders, the AMAF will have significantly enhanced its ranking with national charity monitoring services while operating consistent with charitable organization best practices through a sustainable fiscal model.

Marketing and Community Goal:

By the end of FY 2025, the AMAF will exponentially increase its visibility among volunteers, applicants, and donors through its multifaceted communication strategy, increased collaborations, and charitable programming.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

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, 2022 and 2021

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Private equity investments measured at net asset value (NAV): Valued at the Foundation's pro rata portion of the investment's net asset value based on valuations provided by investment managers.

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, 2022 and 2021:

	Investments at Fair Value as of June 30, 2022			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common Stocks				
Domestic	\$ 3,762,747	\$ -	\$ -	\$ 3,762,747
Foreign	634,943	-	-	634,943
Equity Funds				
International	-	-	-	-
Large cap	12,555,899	-	-	12,555,899
Fixed Income				
Treasury and Federal Agencies	-	889,096	-	889,096
State and Municipal	-	251,179	-	251,179
Foreign	-	124,216	-	124,216
Corporate bonds	1,214,185	2,306,309	-	3,520,494
	<u>\$ 18,167,774</u>	<u>\$ 3,570,800</u>	<u>\$ -</u>	<u>\$ 21,738,574</u>
Investments measured at NAV*				1,800,000
Investments, fair value				\$ 23,538,574

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

	Investments at Fair Value as of June 30, 2021			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common stocks				
Domestic	\$ 7,700,523	\$ -	\$ -	\$ 7,700,523
Foreign	1,309,629	-	-	1,309,629
Equity Mutual 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
International	-	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>
Investments measured at NAV*				-
Investments, fair value				<u>\$ 29,043,320</u>

* Certain investments that were measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables for such investments are intended to permit reconciliation of the fair value hierarchy to the investments, at fair value line item presented in the statements of financial position.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

The following tables summarize investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2022.

	June 30, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period Period
TA Realty Core Property Fund, L.P.	\$ 1,800,000	\$ 450,000	Quarterly	Discretionary

Total investment returns for 2022 and 2021 are summarized as follows:

	2022	2021
Investment income, net of expenses		
Dividends and interest	\$ 583,756	\$ 392,640
Investment management fees	(142,397)	(129,160)
Investment income, net	\$ 441,359	\$ 263,480
Net realized gains	\$ 6,259,819	\$ 1,391,784
Net unrealized gains (losses)	(10,315,717)	5,833,284
Net realized and unrealized (losses) gains	\$ (4,055,898)	\$ 7,225,068

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE E - INVESTMENTS

Investments consisted of the following as of June 30, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Common stocks	\$ 4,177,877	\$ 4,397,690	\$ 6,760,090	\$ 9,005,585
Equity mutual funds	16,807,953	13,770,084	9,382,758	14,220,419
Fixed income	3,923,448	3,570,800	5,759,528	5,817,316
	\$ 24,909,278	21,738,574	\$ 21,902,376	29,043,320
Investments measured at NAV*		1,800,000		-
		\$ 23,538,574		\$ 29,043,320

At June 30, 2022 and 2021, \$1,333,433 and \$1,337,583 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, 2022:

2023	\$ 189,349
2024	552,000
2025	352,000
2026	935,327
2027	400,000
Thereafter	1,142,124
	\$ 3,570,800

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE E - INVESTMENTS (Continued)

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>

NOTE F - CONTRIBUTIONS RECEIVABLE, NET

Future collections of contributions receivable are anticipated as follows as of June 30, 2022:

<u>Fiscal year ending</u> <u>June 30,</u>		
2023	\$	435,110
2024		165,005
2025		150,259
2026		140,592
2027		108,215
Thereafter		<u>271,667</u>
		1,270,848
Discount		(29,210)
Allowance for uncollectible pledges		<u>(100,070)</u>
	\$	<u>1,141,568</u>

The discount rate used was 3.01% and 0.87% for pledges received during the years ended June 30, 2022 and 2021, respectively.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Arthur N. Wilson Scholarships for Students from Southeast Alaska	\$ 513	\$ 608
Grants for research on women in medicine program	108,055	142,054
Grants for physicians of tomorrow scholarship program	-	288,966
Dr. Richard Allen Williams and Genita Evangelista Johnson/ABC Fund	94,487	112,064
Grants for the study of neoplastic disorders	2,433	2,043
Honor Funds	4,217	497,165
Community health initiatives	122,404	114,278
Excellence in medicine	68,671	58,839
Grants for community health programs, other trusts and research	516,577	656,377
Perpetual in nature (see Note I)	9,375,014	9,452,651
	<u>\$ 10,292,371</u>	<u>\$ 11,325,045</u>

NOTE H - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During 2022 and 2021, 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>2022</u>	<u>2021</u>
Grants for research on women in medicine program	\$ 13,161	\$ 15,882
Grants for physicians of tomorrow scholarship program	97,865	69,492
Grants for Excellences in Medicine program	5,121	-
Minority scholar awards	22,281	3,376
Grants for other trusts and research	197,041	19,855
Grants for Community Health Initiatives	1,271	169,863
	<u>\$ 336,740</u>	<u>\$ 278,468</u>

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

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, 2022 and 2021

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

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, 2022 and 2021

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

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

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, 2022 and 2021

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, 2022 and 2021 is as follows:

	2022	2021
General Endowment Fund	\$ 322,610	\$ 322,610
Named Funds	2,971,599	2,881,092
Honor Funds		
Alliance Grassroots Honor Fund	388,214	391,610
Ohio Honor Fund	595,555	591,902
Ronald M. Davis, MD Legacy Honor Fund	353,634	352,534
California / Ronald P. Bangasser, MD Memorial Honor Fund	265,360	284,789
North Central Medical Conference / Kenneth Viste, MD Memorial Honor Fund	238,716	256,528
Medical Society of the State of New York / Dr. Duane and Joyce Honor Fund	349,476	347,670
International Medical Graduates Honor Fund	294,453	317,947
Council on Medical Service Honor Fund	188,650	204,705
Oklahoma Honor Fund	172,876	187,588
Illinois Honor Fund	321,250	321,487
Indiana Honor Fund	138,027	138,066
Missouri Honor Fund	394,829	396,821
Formica Riggs New Jersey Honor Fund	288,801	310,761
Western Mountain Past Presidents Honor Fund	152,602	156,699
Council on Legislation Honor Fund	133,635	145,007
LGBTQ Honor Fund	214,474	229,483
Mary Francis Alexander Fund	254,311	275,953
Dr. Johnson F. Hammond Memorial Fund	107,758	107,758
Lurah L. Weaver Memorial Fund	664,760	664,760
Vandenberg Health Equity Fund	563,424	566,881
	\$ 9,375,014	\$ 9,452,651

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

Honor Funds (Continued)

Twenty-one 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.

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.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

Honor Funds (Continued)

Endowment Investment Policies (Continued)

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.

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, 2022 and 2021:

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 9,452,651	\$ 9,452,651
Investment return:			
Investment income	-	42,431	42,431
Net depreciation (realized and unrealized)	-	(389,935)	(389,935)
Total investment return (loss)	-	(347,504)	(347,504)
Contributions	-	320,652	320,652
Net asset transfers from non-endowment restricted net assets	-	-	-
Expenditures	-	(50,785)	(50,785)
Endowment net assets, end of year	\$ -	\$ 9,375,014	\$ 9,375,014

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021: (Continued)

	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	-	31,526	31,526
Net appreciation (realized and unrealized)	-	864,474	864,474
Total investment return	-	896,000	896,000
Contributions	-	502,627	502,627
Net asset transfers from non-endowment restricted net assets	-	(149,506)	(149,506)
Expenditures	-	(61,882)	(61,882)
Endowment net assets, end of year	\$ -	\$ 9,452,651	\$ 9,452,651

NOTE J - GRANTS PAYABLE

The Foundation provides grants for medical and various scholarships of which \$977,089 and \$365,000 are expected to be paid during the year ended June 30, 2023, respectively.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021 was \$1,281,146 and \$1,230,487, respectively. Amounts due to the AMA, included in accounts payable and accrued expenses, was \$139,895 and \$109,933 as of June 30, 2022 and 2021, respectively.

NOTE L - CONTRIBUTED NONFINANCIAL ASSETS

During the year ended June 30, 2022 and 2021, the Foundation received certain administrative support services and a master membership listing from the AMA. In addition, in 2022 the Foundation received donated medical equipment.

Contributed nonfinancial assets received during the year ended June 30, 2022 and 2021, include the following:

	<u>2022</u>	<u>2021</u>
Administrative support services-AMA	\$ 117,192	\$ 119,094
Master membership listing-AMA	137,000	137,000
Donated medical equipment	<u>54,446</u>	<u>-</u>
	<u>\$ 308,638</u>	<u>\$ 256,094</u>

The Foundation recognizes services as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. AMA contributed administrative support services and membership listing are reported using current rates for similar services and are reported in management and general and fundraising, respectively, in the statement of activities. Contributed medical equipment is recorded as in-kind contribution revenue with a corresponding increase to materials expense as the equipment was utilized in the Leadership Development Institute program in 2022. Medical equipment was valued based on the current price located on a publicly available website.

American Medical Association Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE M - 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 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 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2021 financial statements and notes in order to conform with the 2022 presentation. The reclassification had no impact on the Foundation's change in net assets or total net assets as previously reported.

NOTE P - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 13, 2023, 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.