

# **American Academy of Physician Associates, Inc. and Affiliate**

Consolidated Financial Report  
December 31, 2023

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## Independent Auditor's Report

Board of Directors  
American Academy of Physician Associates, Inc.

### Opinion

We have audited the consolidated financial statements of American Academy of Physician Associates, Inc. and Affiliate (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in their net assets and their 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor's 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 auditor's 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 Organization'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 Organization'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.

*RSM US LLP*

Washington, D.C.  
June 24, 2024

**American Academy of Physician Associates, Inc. and Affiliate**

**Consolidated Statements of Financial Position  
December 31, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 3,489,562	\$ 5,170,560
Investments	29,442,866	25,876,411
Accounts receivable	1,142,580	1,679,584
Prepaid expenses	1,012,483	1,067,910
Deferred compensation investments	66,984	32,972
Right-of-use operating lease assets	7,264,180	8,234,857
Property and equipment, net	514,959	722,059
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<b>Total assets</b>	<b>\$ 42,933,614</b>	<b>\$ 42,784,353</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,566,942	\$ 1,827,359
Deferred revenue	11,168,162	10,971,444
Deferred compensation obligation	66,984	32,972
Operating lease liabilities, net	9,129,629	10,285,428
<b>Total liabilities</b>	<b>22,931,717</b>	<b>23,117,203</b>
<hr/>		
Commitment and contingency (Note 7)		
Net assets:		
Without donor restrictions	19,625,309	19,319,793
With donor restrictions	376,588	347,357
<b>Total net assets</b>	<b>20,001,897</b>	<b>19,667,150</b>
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<b>Total liabilities and net assets</b>	<b>\$ 42,933,614</b>	<b>\$ 42,784,353</b>
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See notes to consolidated financial statements.

**American Academy of Physician Associates, Inc. and Affiliate**

**Consolidated Statements of Activities  
Years Ended December 31, 2023 and 2022**

	2023	2022
Activities without donor restrictions:		
Revenue and support:		
Dues	\$ 15,716,076	\$ 14,735,112
Registration and exhibit fees	6,234,537	4,624,679
Royalties	3,122,162	2,933,614
Grants	2,593,512	2,969,519
Product theatre and product sales	1,007,879	699,077
Continuing education	982,132	1,068,546
Interest and dividends, net of investment fees	446,413	274,577
Sponsorships	982,250	520,000
Advertising	11,430	5,625
Other activities	4,495	-
Net assets released from restrictions	183,264	122,787
<b>Total revenue and support without donor restrictions</b>	<b>31,284,150</b>	<b>27,953,536</b>
Expenses:		
Personnel expenses	15,387,384	12,939,504
Professional fees	10,887,349	8,744,187
Meeting and conferences	3,214,643	2,407,098
Occupancy	1,204,864	1,201,747
Other activities	921,341	1,158,769
Awards and contributions	767,331	760,069
Postage and subscriptions	711,390	550,268
Travel	541,675	414,261
Supplies	178,822	149,324
Insurance	104,105	90,933
Communication	96,055	110,201
Interest	1,930	661
<b>Total expenses</b>	<b>34,016,889</b>	<b>28,527,022</b>
<b>Change in net assets without donor restrictions before other activity</b>	<b>(2,732,739)</b>	<b>(573,486)</b>
Realized and unrealized (losses) gains on investments	3,120,041	(3,856,525)
Paycheck Protection Program loan forgiveness	-	1,999,900
Other nonoperating income	191,454	-
Employee Retention Credit grant	291,933	-
Other nonoperating losses	(565,173)	-
<b>Change in net assets without donor restrictions</b>	<b>305,516</b>	<b>(2,430,111)</b>
Activities with donor restrictions:		
Contributions	212,495	189,217
Net assets released from donor restrictions	(183,264)	(122,787)
<b>Change in net assets with donor restrictions</b>	<b>29,231</b>	<b>66,430</b>
<b>Change in net assets</b>	<b>334,747</b>	<b>(2,363,681)</b>
Net assets:		
Beginning	19,667,150	22,030,831
Ending	<b>\$ 20,001,897</b>	<b>\$ 19,667,150</b>

See notes to consolidated financial statements.

**American Academy of Physician Associates, Inc. and Affiliate**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 334,747	\$ (2,363,681)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	306,165	486,723
Realized and unrealized (gains) losses on investments	(3,120,041)	3,856,525
Paycheck Protection Program loan forgiveness	-	(1,999,900)
Amortization of operating lease right to use assets	970,677	961,732
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	537,004	(664,596)
Prepaid expenses	55,427	(170,799)
Increase (decrease) in:		
Accounts payable and accrued expenses	739,583	(328,451)
Deferred revenue	196,718	1,908,479
Deferred compensation obligation	34,012	(25,174)
Lease liability	(1,155,799)	(1,111,894)
<b>Net cash (used in) provided by operating activities</b>	<b>(1,101,507)</b>	<b>548,964</b>
Cash flows from investing activities:		
Purchases of investments	(11,170,656)	(20,161,715)
Proceeds from sale of investments	10,690,230	19,912,315
Purchases of property and equipment	(99,065)	-
<b>Net cash used in investing activities</b>	<b>(579,491)</b>	<b>(249,400)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,680,998)</b>	<b>299,564</b>
Cash and cash equivalents:		
Beginning	5,170,560	4,870,996
Ending	\$ 3,489,562	\$ 5,170,560
Supplemental disclosures of cash flow information:		
Cash payments for interest	\$ 1,930	\$ 661
Cash payments for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating lease obligations	\$ 1,307,115	\$ 1,287,135
Noncash right-of-use asset additions as of December 31, 2023 and 2022:		
Operating leases	\$ -	\$ 9,196,588

See notes to consolidated financial statements.

## American Academy of Physician Associates, Inc. and Affiliate

### Notes to Consolidated Financial Statements

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

**Nature of activities:** The American Academy of Physician Associates, Inc. (the Academy) was incorporated in 1968 as a national professional association that represents all physician associates (PAs) across all medical and surgical specialties in the United States. The mission of the Academy is to ensure the professional growth, personal excellence, recognition of PAs and to support their efforts to enable them to improve the quality, accessibility and cost-effectiveness of patient-centered health care.

American Academy of Physician Associates Political Action Committee (PAC) allows the individual PA to share in the opportunity to support federal candidates who have demonstrated their belief and understanding of the principles to which the profession is dedicated. The Academy and the PAC are collectively referred to as the Organization.

A summary of the Organization's significant accounting policies follows:

**Principles of consolidation:** The consolidated financial statements include the accounts of the Academy and the PAC. Significant interentity accounts and transactions have been eliminated in consolidation.

**Basis of presentation:** The consolidated financial statements presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Without donor restrictions:** Net assets without donor restrictions represent net assets not restricted by donors for a specific purpose, even though their use may be limited in other respects, such as by board designation.

**With donor restrictions:** Net assets with donor restrictions are composed of grants the Academy has received and PAC contributions that are restricted for a specific purpose or time period. When the restriction has been satisfied, net assets with donor restrictions are released to net assets without donor restrictions. See Note 6 for further details regarding net assets with donor restrictions.

**Cash and cash equivalents:** For consolidated financial statements purposes, the Organization considers cash equivalents to be all highly liquid investments with maturities of three months or fewer when purchased, other than those held as part of the Organization's investment portfolio.

**Investments:** Investments are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is recorded as a component of investment gain in the consolidated statements of activities.

**Financial risk:** The Academy maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Academy has not experienced any such loss in the past and does not believe it is exposed to any significant financial risk on these balances.

The Academy invests funds in professionally managed portfolios that are exposed to various risks, such as interest rate, credit and market value risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the consolidated financial statements. As a result, investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.



## American Academy of Physician Associates, Inc. and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Allowance for credit losses:** The Academy adopted ASC 326, Financial Instruments—Credit Losses, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. There was no significant impact of this adoption as of January 1, 2023. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include billed and unbilled receivables as well as contract assets. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Management has not recorded an allowance at December 31, 2023, as any potentially uncollectible amounts are deemed de minimus.

Prior to adoption of ASC 326, the collectability of each receivable balance was assessed based on management's knowledge of the customer and the age of the receivable balance. Customer balances deemed to be uncollectible were charged directly to bad debt expense to the extent not covered by the allowance. Management has not recorded an allowance at December 31, 2022.

**Property and equipment:** Acquisitions of furniture and equipment, computer equipment and software greater than \$2,500 are recorded at cost and depreciated using the straight-line method over their respective useful lives, ranging from three to 10 years. Leasehold improvements are amortized on the straight-line method over the shorter of the lease term or estimated useful life of the asset.

The Academy accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic 360, Property, Plant and Equipment that address Impairment or Disposal of Long-Lived Assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less costs to sell. As of December 31, 2023 and 2022, there were no long-lived assets that were impaired.

**Leases:** The Academy determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Academy also considers whether its service agreements include the right to control the use of an asset.

The Academy made an accounting policy election under Topic 842 not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less. For all other leases, the Academy recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

The Academy's leases may include a nonlease component representing additional services transferred to the Academy, such as common area maintenance for real estate. The Academy made an accounting policy election to account for each separate lease component and the nonlease components associated with that lease component as a single lease component. Nonlease components that are variable in nature are recorded in variable lease expense in the period incurred.

## American Academy of Physician Associates, Inc. and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

A lessee that is not a public business entity is permitted to use a risk-free discount rate for its leases, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. In order to ease the accounting burden of determining incremental borrowing rates under ASC 842, the Academy has made this accounting policy election for all leases. The risk-free discount rates were obtained using U.S. Treasury securities as posted on the Federal Reserve website.

**Revenue recognition:** The Academy's activities are primarily supported through membership dues, registration fees, royalties, continuing education fees and grants. Prices charged to customers are specific to distinct performance obligations and do not consist of multiple transactions. Economic factors are driven by consumer confidence, employment, inflation and other world events that impact the timing and level of cash received and revenue recognized by the Academy. Periods of economic downturn resulting from any of the above factors may result in declines of recognized future revenue of the Academy.

Dues are recognized as revenue ratably over the membership period. All member benefits are considered once performance obligation and revenue is recognized ratably over the membership period as the delivery of the member benefit is provided. Student memberships expire four months after graduation; all other Academy membership types expire 12 to 24 months from the join date.

Registration fees and exhibit fees related to the conferences and product theatre revenues are recognized over the period of time the events occur. Amounts received in advance are recorded as deferred revenue.

Royalties are earned by the Academy for granting the use of its name to third parties that market services to Academy members. Revenues from these activities are recorded when the related royalty is earned.

Continuing education fees are recognized at the point in time that the individual takes the examination.

The Academy has determined that revenue received from private grants is typically considered to be a conditional contribution and, in that situation, is recorded as deferred revenue because the agreement stipulates both a right of return of funds in the event of nonperformance in addition to specific outcomes and measurable barriers that the Academy must achieve specifically through its scientific and educational activities. These activities further the education of physicians and healthcare providers, patients and the general public, to enhance their ability to care for patients and is recognized as costs are incurred. At December 31, 2023 and 2022, the Academy has received \$649,548 and \$713,570, respectively, in funding for specific scientific and educational activities which is yet to be recognized.

**Contributions:** Contributions are recognized as support when promised unconditionally and are recorded net of any current-year allowance or discount activity. The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs, or to a future year. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from donor restrictions.

## American Academy of Physician Associates, Inc. and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Contract balances:** The timing of revenue recognition may not align with the right to invoice. The Academy records accounts receivable when it has the unconditional right to issue an invoice and receive payments, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Opening and ending balances relating to exchange transactions, were as follows:

	Balance January 1, 2022	Balance December 31, 2022	Balance December 31, 2023
Accounts receivable	\$ 705,035	\$ 870,416	\$ 1,133,185
Deferred revenue	8,732,232	10,257,874	11,168,162

**Adopted accounting pronouncement:** In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost (including loans and trade receivables) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statement of activities as the amounts expected to be collected change.

The adoption of the new standard did not materially impact our consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

**Functional allocation of expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, salaries, related benefits costs and certain other costs have been allocated to programs and supporting activities based upon the level of effort by employees.

**Use of estimates:** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Income taxes:** The academy is organized as a nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(6). The Academy is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Academy is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. We have determined that the Academy had no net unrelated business income and, accordingly, no provision for income taxes is recorded in the accompanying consolidated financial statements and the Academy has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The PAC is an organization exempt from income taxes under the provisions of Section 527(a) of the IRC.

**Subsequent events:** The Organization has evaluated subsequent events through June 24, 2024, the date on which the consolidated financial statements were available to be issued.

## American Academy of Physician Associates, Inc. and Affiliate

### Notes to Consolidated Financial Statements

#### Note 2. Investments

The Academy uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing investments are not necessarily an indication of risk.

**Level 1:** Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

**Level 2:** Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves, other market data, or by using a market approach from pricing sources utilized by investment managers.

**Level 3:** Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments using Level 1 inputs consist of equities which are valued based on quoted market prices at the reporting date for those investments in active markets. Additionally, investments in mutual funds are valued at the last sales price or, if there is no sale and the market is still considered active, at the last transaction price before year-end.

Investments are measured at fair value at December 31, 2023, using the following input levels:

	Total	Fair Value		
		Level 1	Level 2	Level 3
Investments:				
Mutual funds—domestic fixed income	\$ 10,229,597	\$ 10,229,597	\$ -	\$ -
Equities	13,109,399	13,109,399	-	-
Funds—equities (accelerated return notes)	2,775,940	-	2,775,940	-
Mutual funds—domestic equities	2,535,724	2,535,724	-	-
Total investment held at fair value	28,650,660	\$ 25,874,720	\$ 2,775,940	\$ -
Money market funds	792,206			
Total investments	\$ 29,442,866			
Investments held for deferred compensation:				
Mutual funds—fixed income	\$ 11,700	\$ 11,700	\$ -	\$ -
Mutual funds—equities	55,284	55,284	-	-
Total investments held for deferred compensation	\$ 66,984	\$ 66,984	\$ -	\$ -
Deferred compensation liability	\$ 66,984	\$ -	\$ 66,984	\$ -

Investment fees totaled \$269,667 for the year ended December 31, 2023, and have been netted against interest and dividend revenue in the accompanying consolidated statement of activities.

## American Academy of Physician Associates, Inc. and Affiliate

### Notes to Consolidated Financial Statements

#### Note 2. Investments (Continued)

Investments are measured at fair value at December 31, 2022, using the following input levels:

	Total	Fair Value		
		Level 1	Level 2	Level 3
Investments:				
Mutual funds—domestic fixed income	\$ 9,879,486	\$ 9,879,486	\$ -	\$ -
Equities	11,004,127	11,004,127	-	-
Funds—equities (accelerated return notes)	2,304,154	-	2,304,154	-
Mutual funds—domestic equities	1,972,740	1,972,740	-	-
Total investments held at fair value	25,160,507	\$ 22,856,353	\$ 2,304,154	\$ -
Money market funds	715,904			
Total investments	\$ 25,876,411			
Investments held for deferred compensation:				
Mutual funds—fixed income	\$ 25,801	\$ 25,801	\$ -	\$ -
Mutual funds—equities	7,171	7,171	-	-
Total investments held for deferred compensation	\$ 32,972	\$ 32,972	\$ -	\$ -
Deferred compensation liability	\$ 32,972	\$ -	\$ 32,972	\$ -

Investment fees totaled \$229,699 for the year ended December 31, 2022, and have been netted against interest and dividend revenue in the accompanying consolidated statement of activities.

#### Note 3. Liquidity and Availability of Funds

The Organization operates under an investment policy that describes the investment philosophies and investment management procedures to be utilized for managing the assets of the Organization to meet current operating needs, as well as its long-term goals. The Academy has a \$10 million revolving line of credit at their disposal (see Note 7).

The following represents the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 3,489,562	\$ 5,170,560
Investments	29,442,866	25,876,411
Accounts receivable	1,142,580	1,679,584
	34,075,008	32,726,555
Less amounts unavailable for general expenditures:		
Net assets with donor restrictions	(376,588)	(347,357)
Total financial assets available within one year	\$ 33,698,420	\$ 32,379,198

**American Academy of Physician Associates, Inc. and Affiliate**

**Notes to Consolidated Financial Statements**

**Note 4. Property and Equipment**

Property and equipment at December 31, 2023 and 2022, consists of the following:

	<u>2023</u>	<u>2022</u>
Computer software and equipment	\$ 5,041,912	\$ 4,982,018
Furniture and equipment	2,616,830	2,577,659
Leasehold improvements	1,907,880	1,907,880
	<u>9,566,622</u>	<u>9,467,557</u>
Less accumulated depreciation and amortization	(9,051,663)	(8,745,498)
	<u>\$ 514,959</u>	<u>\$ 722,059</u>

**Note 5. Related Party Transactions With the Foundation**

The Academy provides services and other support to the Physician Associate Foundation of the American Academy of Physician Associates (the Foundation), a related, noncontrolled entity. These expenses include salaries and related benefits of Academy employees devoting time and effort working for the Foundation, allocable rent, utilities, office equipment and other general administrative expenses, such as financial accounting and reporting. The services and other support are recorded as donated services to the Foundation. The Academy donated \$179,679 and \$178,000 in services to the Foundation during the years ended December 31, 2023 and 2022, respectively. In addition to the donated services the Academy contributed \$240,000 and \$200,000 to the Foundation during the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Foundation owed the Academy \$7,359 and \$487,146, respectively. The amounts are included in accounts receivable on the consolidated statements of financial position.

**Note 6. Net Assets With Donor Restrictions**

Changes in net assets with donor restrictions for the year ended December 31, 2023, are as follows:

	Balance December 31, 2022	Additions	Releases	Balance December 31, 2023
PAC	<u>\$ 347,357</u>	<u>\$ 212,495</u>	<u>\$ (183,264)</u>	<u>\$ 376,588</u>

Changes in net assets with donor restrictions for the year ended December 31, 2022, are as follows:

	Balance December 31, 2021	Additions	Releases	Balance December 31, 2022
PAC	<u>\$ 280,927</u>	<u>\$ 189,217</u>	<u>\$ (122,787)</u>	<u>\$ 347,357</u>

## American Academy of Physician Associates, Inc. and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 7. Commitment and Contingency

**Line-of-credit:** The Academy maintains a \$10,000,000 line of credit collateralized by its personal property and investments. The Academy makes monthly payments equal to the one-month interest based upon a variable interest rate. The line of credit matures October 30, 2024. There was \$0 outstanding on the line of credit at December 31, 2023 and 2022. The approximate interest rate was 7.12% and 6.14% at December 31, 2023 and 2022, respectively.

**Hotel contracts:** The Academy has entered into contracts with hotels and other venues providing room accommodations, meeting space and services for future meetings and conferences. Many of the agreements contain a clause whereby the Academy could be liable for liquidated damages in the event of cancellation, or lower than expected attendance, as calculated in accordance with the terms of the agreements.

#### Note 8. Pension Plans

**Retirement plan:** The Academy has a defined contribution plan under Section 401(k) of the IRC, covering substantially all employees who have met certain eligibility requirements as defined in the plan document. Under the plan, employees may defer a maximum of 90% of their annual compensation to the plan each year, not to exceed IRC limits. Employees may also elect for a portion of their deferral to be a Roth deferral. The Academy provides a matching contribution limited to 4% of an employee's contribution and, at times, a discretionary contribution. Employer contributions paid under this plan totaled \$413,341 and \$350,184 for the years ended December 31, 2023 and 2022, respectively.

**Deferred compensation plan:** The Academy maintains a deferred compensation plan under Section 457(b) of the IRC. Contributions by the Academy to the plan for the years ended December 31, 2023 and 2022, was \$22,500 and \$19,500, respectively. The deferred compensation obligation is adjusted annually to the fair market value of the investments in the plan and is presented as Level 2 within the audited consolidated financial statements. At December 31, 2023 and 2022, the fair market value of the investments was \$66,984 and \$32,972, respectively.

#### Note 9. Paycheck Protection Program (PPP) Loan

During April 2021, the Academy applied for a federal PPP loan under the second draw of funding. The application was approved and a loan of \$1,999,900 was subsequently received. The Academy has elected to account for the loan as a financial liability until the time at which forgiveness is received. The Academy was notified in March 2022 that the loan and accrued interest was forgiven in full. During 2022, the amount was recognized as income in the consolidated statements of activities.

#### Note 10. Leases

The Academy leases premises for purposes of general office use from the unrelated parties under operating lease agreements that have terms from transition of 1.25 to nine years. Leases include one option to renew for eight years, generally at the Academy's sole discretion, with renewal terms that can extend the lease term. Equipment leases contain purchase option at fair market value. These options to extend a lease are included in the lease terms when it is reasonably certain that the Academy will exercise that option. The Academy's leases generally do not contain any material restrictive covenants.

Rent expense was \$1,130,321 and \$1,134,043 for the years ended December 31, 2023 and 2022, respectively.

## American Academy of Physician Associates, Inc. and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 10. Leases (Continued)

Supplemental consolidated statement of financial position information related to leases is as follows:

	2023	2022
Operating leases:		
Right-of-use operating lease assets	\$ 7,264,180	\$ 8,234,857
Operating lease liabilities, net	\$ 9,129,629	\$ 10,285,428
Weighted-average remaining lease term (in years):		
Operating leases	7.00	7.98
Weighted-average discount rate:		
Operating leases	1.60%	1.60%

Future undiscounted cash flows under Topic 842 for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the consolidated statement of financial position as of December 31, 2023, is as follows:

Years ending December 31:		
2024		\$ 1,342,651
2025		1,379,163
2026		1,401,760
2027		1,330,335
2028		1,363,593
Thereafter		2,830,310
Future minimum lease payments		9,647,812
Less imputed interest		(518,183)
Discounted long-term lease liability		\$ 9,129,629

#### Note 11. Functional Expenses

**Program services:** The Organization operates the following major programs:

**Marketing and communications:** Develops and executes strategies and tactics to reach Academy stakeholders with relevant news, information and resources to help advance the mission of the Organization, as well as meet member needs.

**Education and quality:** Sets continuing medical education (CME) accreditation standards for PAs. Reviews and approves CME programs for Academy Category 1 CME credit. Develops and provides CME programs to PAs in a variety of formats and measures educational outcomes of CME programming. Develops and independently executes medical educational grants in support of CME programs and the Academy's national health quality improvement initiatives.

**Advocacy and government relations:** Represents the PA profession before the federal government and at the state level. Provides resources and tools for PAs related to the Organization's policy goals. Represents the profession with external stakeholders. Coordinates the Organization's affiliation and relationships with more than 115 constituent organizations and provides them with assistance and benefits related to management and policy goals.



## American Academy of Physician Associates, Inc. and Affiliate

### Notes to Consolidated Financial Statements

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#### Note 11. Functional Expenses (Continued)

**Annual conference and meeting services:** Organizes and manages the Academy's annual conference and specialty meetings, which provide CME and non-CME education, networking opportunities and exposure to new trends and technologies to attendees.

**Governance and leadership development:** Supports the board of directors in fulfilling its fiduciary and governance responsibilities, the house of delegates in fulfilling its responsibility to enact policies that establish the collective values, philosophies and principles of the PA profession and the student academy in identifying PA student concerns and educating student leaders about the PA profession generally and the Academy, specifically. Manages Academy volunteer engagement to ensure the PA voice is present whenever there are policy or clinical opportunities to improve healthcare delivery to patients.

**Membership:** Recruits, retains and engages pre-PA, PA student, fellow and retired PA members through marketing and communication about the Academy's member value proposition. Manages the Academy's online community, PA recognition programs and PA program outreach efforts.

**Research and statistics:** Regularly conducts studies and produces reports for PAs and other stakeholders regarding PA compensation, PA practice and member satisfaction/preferences. Maintains a bibliography of research relevant to the PA profession and supports the PA research community by providing access to PAs and PA data. Collaborates with other organizations to provide thought leadership, improve research related to PAs and gain knowledge that will benefit the PA community.

## American Academy of Physician Associates, Inc. and Affiliate

### Notes to Consolidated Financial Statements

#### Note 11. Functional Expenses (Continued)

Expenses by function consisted of the following for the years ended December 31, 2023 and 2022:

	Program Services							Supporting Services							Total
	Marketing and Communications	Education and Quality	Advocacy and Government Relations	Annual Conference and Meeting Services	Governance and Leadership Development	Membership	Research and Statistics	Total Program Services	Finance, Human Resources and Administrative Services	Technology Services	Executive Department	Strategic Business Development	Total Supporting Services		
2023															
Personnel expenses	\$ 3,309,855	\$ 1,942,780	\$ 2,846,904	\$ 615,466	\$ 774,281	\$ 1,117,704	\$ 450,744	\$ 11,057,734	\$ 2,149,530	\$ 1,284,056	\$ 668,112	\$ 227,952	\$ 4,329,650	\$ 15,387,384	
Professional fees	4,392,828	1,072,389	552,227	1,087,261	145,128	71,121	78,109	7,399,063	577,192	1,788,998	543,025	579,071	3,488,286	10,887,349	
Meeting and conferences	1,378	686,328	157,517	1,881,298	392,464	67,838	8,584	3,195,407	35	414	12,064	6,723	19,236	3,214,643	
Occupancy	259,873	147,655	224,436	47,250	64,968	94,499	35,437	874,118	147,653	135,843	47,250	-	330,746	1,204,864	
Other activities	40,771	53,462	34,218	119,921	14,115	12,274	5,905	280,666	597,857	28,227	11,337	3,254	640,675	921,341	
Awards and contributions	14,467	265,515	184,738	179,998	15,384	9,960	84,485	754,547	2,614	-	8,220	1,950	12,784	767,331	
Postage and subscriptions	37,473	453,041	131,996	7,903	8,323	2,015	20,323	661,074	7,892	4,233	33,991	4,200	50,316	711,390	
Travel	52,647	115,924	149,772	-	157,843	18,004	10,170	504,360	1,952	5,063	16,808	13,492	37,315	541,675	
Supplies	1,207	10,122	19,979	5,805	-	57,383	206	94,702	2,261	80,928	867	64	84,120	178,822	
Insurance	-	-	-	-	-	-	-	-	104,105	-	-	-	104,105	104,105	
Communication	2,245	19	35	-	-	-	-	2,299	-	93,756	-	-	93,756	96,055	
Interest	-	-	-	-	-	-	-	-	1,930	-	-	-	1,930	1,930	
Allocation	802,983	471,325	690,669	145,140	187,843	271,159	109,352	2,678,471	525,658	(3,421,518)	162,087	55,302	(2,678,471)	-	
Total expenses	\$ 8,915,727	\$ 5,218,560	\$ 4,992,491	\$ 4,090,042	\$ 1,760,349	\$ 1,721,957	\$ 803,315	\$ 27,502,441	\$ 4,118,679	\$ -	\$ 1,503,761	\$ 892,008	\$ 6,514,448	\$ 34,016,889	

	Program Services							Supporting Services							Total
	Marketing and Communications	Education and Quality	Advocacy and Government Relations	Annual Conference and Meeting Services	Governance and Leadership Development	Membership	Research and Statistics	Total Program Services	Finance, Human Resources and Administrative Services	Technology Services	Executive Department	Strategic Business Development	Total Supporting Services		
2022															
Personnel expenses	\$ 2,880,479	\$ 1,472,925	\$ 2,635,309	\$ 588,043	\$ 736,730	\$ 979,773	\$ 470,117	\$ 9,763,376	\$ 979,233	\$ 1,193,857	\$ 639,128	\$ 363,910	\$ 3,176,128	\$ 12,939,504	
Professional fees	2,412,523	2,146,503	519,340	768,751	82,106	61,640	68,903	6,059,766	702,512	1,204,961	78,896	698,052	2,684,421	8,744,187	
Meeting and conferences	6,564	495,301	132,293	1,404,873	283,394	31,436	41,759	2,395,620	677	1,236	7,670	1,895	11,478	2,407,098	
Occupancy	259,200	147,273	223,855	47,127	64,800	94,255	35,345	871,855	147,274	135,491	47,127	-	329,892	1,201,747	
Other activities	71,739	94,829	57,434	77,199	21,039	19,901	10,576	352,717	734,361	42,820	15,489	13,382	806,052	1,158,769	
Awards and contributions	1,111	288,367	126,397	157,402	11,299	(14)	111,961	696,523	49,443	-	10,103	4,000	63,546	760,069	
Travel	19,541	93,018	100,448	16,577	122,968	8,223	16,205	376,980	4,873	5,435	12,211	14,762	37,281	414,261	
Postage and subscriptions	43,777	333,334	113,926	2,845	7,292	4,236	96	505,506	4,572	2,936	25,375	11,879	44,762	550,268	
Supplies	2,464	12,921	7,065	5,415	2,548	63,912	432	94,757	1,187	52,936	444	-	54,567	149,324	
Communication	-	-	5	136	-	-	-	141	-	110,060	-	-	110,060	110,201	
Insurance	-	-	-	18,786	-	-	-	18,786	72,147	-	-	-	72,147	90,933	
Interest	-	-	-	-	-	-	-	-	661	-	-	-	661	661	
Allocation	674,651	344,891	617,262	137,693	172,508	229,418	110,079	2,286,502	228,816	(2,749,732)	149,654	84,760	(2,286,502)	-	
Total expenses	\$ 6,372,049	\$ 5,429,362	\$ 4,533,334	\$ 3,224,847	\$ 1,504,684	\$ 1,492,780	\$ 865,473	\$ 23,422,529	\$ 2,925,756	\$ -	\$ 986,097	\$ 1,192,640	\$ 5,104,493	\$ 28,527,022	