

**APMA EDUCATIONAL FOUNDATION, INC.**

**FINANCIAL REPORT**

**May 31, 2018**

**APMA EDUCATIONAL FOUNDATION, INC.**

*Table of Contents*

	<b>Page</b>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of financial position	2
Statement of activities	3
Statement of cash flows	4
Notes to financial statements	5 - 14
<b>Independent Auditors' Report on Supplementary Information</b>	15
<b>Supplementary Information</b>	
Budget information (unaudited)	16 - 19

## Independent Auditors' Report

To the Board of Directors of  
APMA Educational Foundation, Inc.  
Bethesda, Maryland

We have audited the accompanying financial statements of APMA Educational Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of APMA Educational Foundation, Inc. as of May 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited APMA Educational Foundation, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Rockville, Maryland  
September 6, 2018

**APMA EDUCATIONAL FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**May 31, 2018**  
**(With Comparative Totals for 2017)**

<b>Assets</b>	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Current Assets</b>					
Cash	\$ 46,993	\$ 145,407	\$ -	\$ 192,400	\$ 170,317
Investments - at fair value	-	3,397,971	4,763,919	8,161,890	7,726,937
Unconditional promises to give, net	-	-	56,020	56,020	43,283
Due from related party	2,150	19,350	-	21,500	50,000
Prepaid expense	5,208	-	-	5,208	2,500
	<u>\$ 54,351</u>	<u>\$ 3,562,728</u>	<u>\$ 4,819,939</u>	<u>\$ 8,437,018</u>	<u>\$ 7,993,037</u>
<b>Total assets</b>					
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 315	\$ -	\$ -	\$ 315	\$ 1,500
Deferred income	1,577	14,197	-	15,774	16,624
	<u>1,892</u>	<u>14,197</u>	<u>-</u>	<u>16,089</u>	<u>18,124</u>
<b>Total current liabilities</b>					
<b>Net Assets</b>					
Unrestricted	52,459	-	-	52,459	56,571
Temporarily restricted	-	3,548,531	-	3,548,531	3,175,004
Permanently restricted	-	-	4,819,939	4,819,939	4,743,338
	<u>52,459</u>	<u>3,548,531</u>	<u>4,819,939</u>	<u>8,420,929</u>	<u>7,974,913</u>
<b>Total net assets</b>					
<b>Total liabilities and net assets</b>					
	<u>\$ 54,351</u>	<u>\$ 3,562,728</u>	<u>\$ 4,819,939</u>	<u>\$ 8,437,018</u>	<u>\$ 7,993,037</u>

*The accompanying notes are an integral part of these financial statements.*

**APMA EDUCATIONAL FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended May 31, 2018**  
**(With Comparative Totals for 2017)**

	2018				2017
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Revenue and Support</b>					
Investment return	\$ 91	\$ 629,656	\$ -	\$ 629,747	\$ 809,853
Contributions, net of uncollectable promises to give	9,241	88,591	76,601	174,433	160,550
In-kind contribution - related party	96,612	-	-	96,612	95,005
Hall of fame luncheon	728	15,496	-	16,224	15,528
5K walk/run	414	12,432	-	12,846	12,200
Net assets released from restrictions	<u>372,648</u>	<u>(372,648)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<u>479,734</u>	<u>373,527</u>	<u>76,601</u>	<u>929,862</u>	<u>1,093,136</u>
<b>Expenses</b>					
Program Services:					
Scholarship expenses	<u>351,000</u>	<u>-</u>	<u>-</u>	<u>351,000</u>	<u>230,500</u>
<b>Total program services</b>	<u>351,000</u>	<u>-</u>	<u>-</u>	<u>351,000</u>	<u>230,500</u>
Support Services:					
In-kind administrative services - related party	96,612	-	-	96,612	95,005
Audit and accounting	10,200	-	-	10,200	10,000
Miscellaneous	5,712	-	-	5,712	2,308
Events	16,487	-	-	16,487	18,029
Credit cards and bank charges	2,815	-	-	2,815	2,692
Licensing and permits	705	-	-	705	630
Grants	315	-	-	315	7,400
Life insurance premiums	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,618</u>
<b>Total support services</b>	<u>132,846</u>	<u>-</u>	<u>-</u>	<u>132,846</u>	<u>137,682</u>
<b>Total expenses</b>	<u>483,846</u>	<u>-</u>	<u>-</u>	<u>483,846</u>	<u>368,182</u>
<b>Change in net assets</b>	(4,112)	373,527	76,601	446,016	724,954
<b>Net assets - beginning of year</b>	<u>56,571</u>	<u>3,175,004</u>	<u>4,743,338</u>	<u>7,974,913</u>	<u>7,249,959</u>
<b>Net assets - end of year</b>	<u>\$ 52,459</u>	<u>\$ 3,548,531</u>	<u>\$ 4,819,939</u>	<u>\$ 8,420,929</u>	<u>\$ 7,974,913</u>

*The accompanying notes are an integral part of these financial statements.*

**APMA EDUCATIONAL FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended May 31, 2018**  
**(With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 446,016	\$ 724,954
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Uncollectable (recovery of) promises to give	(300)	200
Discount on promises to give	3,963	(6,990)
Realized and unrealized gains	(344,591)	(613,804)
(Increase) decrease in assets:		
Due from related party	28,500	(50,000)
Unconditional promises to give	(16,400)	39,679
Prepaid expenses	(2,708)	(2,500)
Increase (decrease) in liabilities:		
Accounts payable	(1,185)	1,500
Deferred income	(850)	1,300
Net cash provided by operating activities	<u>112,445</u>	<u>94,339</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(1,113,500)	(314,550)
Proceeds from sales of investments	<u>1,023,138</u>	<u>61,137</u>
Net cash used in investing activities	<u>(90,362)</u>	<u>(253,413)</u>
<b>Net increase (decrease) in cash</b>	22,083	(159,074)
<b>Cash at beginning of year</b>	<u>170,317</u>	<u>329,391</u>
<b>Cash at end of year</b>	<u>\$ 192,400</u>	<u>\$ 170,317</u>

*The accompanying notes are an integral part of these financial statements.*

**APMA EDUCATIONAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2018 and 2017**

**Note 1. Nature of Operations**

The APMA Educational Foundation, Inc. (the Foundation) is the charitable education initiative of the American Podiatric Medical Association, Inc. (APMA). It is established to provide and promote quality foot health education, support research related to foot health, and provide scholarships to deserving students in podiatric medical colleges.

**Note 2. Summary of Significant Accounting Policies**

*Method of Accounting*

The financial statements of the Foundation have been prepared on the accrual basis of accounting whereby income and expenses are recognized in the period in which they are earned or incurred.

*Financial Statement Presentation*

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the Foundation's net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. See Note 6 for a description of temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. See Note 6 for a description of permanently restricted net assets.

*Comparative Totals*

The financial statements include certain prior-year summarized comparative information. The 2017 information does not show a breakout of unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, just net assets in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended May 31, 2017, from which the summarized information was derived.

**APMA EDUCATIONAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2018 and 2017**

**Note 2. Summary of Significant Accounting Policies (continued)**

***Subsidiary-Only Financial Statements***

The Foundation is required to review related not-for-profit organizations to determine if the Foundation has a financial controlling interest in the organization, a significant influence in a less than majority interest in the organization, or a financial interrelation that would require consolidation of the organization. The Foundation determined that it has a financial relationship that would require it to be consolidated with the American Podiatric Medical Association, Inc. (APMA). APMA has prepared consolidated financial statements, however, these statements only present the activity of the subsidiary, the APMA Educational Foundation, Inc.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

***Investments***

Investments are carried at fair value. Money market funds are carried at cost which approximates fair value.

***Unconditional Promises to Give***

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The unconditional promises to give are recorded at net realizable value.

***Subsequent Events***

In preparing its financial statements, the Foundation has evaluated subsequent events through September 6, 2018, which is the date the financial statements were available to be issued.



**APMA EDUCATIONAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2018 and 2017**

**Note 3. Fair Value Measurements**

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

*Level 1*

Inputs to the valuation methodology are unadjusted quoted 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:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

*Level 3*

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

The asset 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.

**APMA EDUCATIONAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2018 and 2017**

**Note 3. Fair Value Measurements (continued)**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2018 and 2017.

*Common Stocks:*

Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual Funds:*

Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-ended mutual funds and are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

*Money Market Funds:*

Valued at the daily closing price as reported by the fund. Money market funds held by the Foundation are open-ended money market funds and are registered with the SEC. These funds are required to publish their daily net asset value (NAV). These funds generally transact at a \$ 1.00 stable NAV. However, on a daily basis the fund's NAV is calculated using the amortized cost (not market value) of the securities held in the fund.

*Promises to Give:*

Valued at the present value of estimated future cash flows less any allowance for doubtful accounts.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes 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.

**APMA EDUCATIONAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2018 and 2017**

**Note 3. Fair Value Measurements (continued)**

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis as of May 31, 2018 and 2017:

**Assets at Fair Value as of May 31, 2018**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Growth funds	\$ 3,098,185	\$ -	\$ -	\$ 3,098,185
Bond funds	1,357,965	-	-	1,357,965
Foreign stock funds	1,522,361	-	-	1,522,361
Income funds	1,302,003	-	-	1,302,003
Other funds	<u>508,286</u>	-	-	<u>508,286</u>
Total Mutual Funds	<u>7,788,800</u>	-	-	<u>7,788,800</u>
Common Stocks:				
Technology	57,983	-	-	57,983
Other	<u>7,642</u>	-	-	<u>7,642</u>
Total Equities	<u>65,625</u>	-	-	<u>65,625</u>
Money Market Funds	-	307,465	-	307,465
Promises to Give	-	<u>56,020</u>	-	<u>56,020</u>
	<u>\$ 7,854,425</u>	<u>\$ 363,485</u>	<u>\$ -</u>	<u>\$ 8,217,910</u>

**Assets at Fair Value as of May 31, 2017**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Growth funds	\$ 3,109,906	\$ -	\$ -	\$ 3,109,906
Bond funds	1,502,256	-	-	1,502,256
Foreign stock funds	1,272,075	-	-	1,272,075
Income funds	1,137,111	-	-	1,137,111
Other funds	<u>473,893</u>	-	-	<u>473,893</u>
Total Mutual Funds	<u>7,495,241</u>	-	-	<u>7,495,241</u>
Common Stocks:				
Technology	66,466	-	-	66,466
Other	<u>8,210</u>	-	-	<u>8,210</u>
Total Equities	<u>74,676</u>	-	-	<u>74,676</u>
Money Market Funds	-	157,020	-	157,020
Promises to Give	-	<u>43,283</u>	-	<u>43,283</u>
	<u>\$ 7,569,917</u>	<u>\$ 200,303</u>	<u>\$ -</u>	<u>\$ 7,770,220</u>

**APMA EDUCATIONAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2018 and 2017**

**Note 3. Fair Value Measurements (continued)**

The following summarizes the investment return and its classification in the statement of activities for the years ended May 31, 2018 and 2017:

	2018	2017
Interest and dividends	\$ 311,459	\$ 220,703
Realized and unrealized net gains	344,591	613,804
Investment managers fees	(26,303)	(24,654)
Total net investment return	\$ 629,747	\$ 809,853

**Note 4. Related Party Transactions**

The Foundation shares office facilities, as well as staff, with its related organization, the American Podiatric Medical Association, Inc. (APMA). The Foundation has recognized revenue and related expense of \$ 96,612 and \$ 95,005 for contributed services received from the American Podiatric Medical Association based on the fair value of comparable services provided by third parties during the years ended May 31, 2018 and 2017, respectively.

In 2018 and 2017, APMA contributed \$21,500 and \$50,000 to the Foundation, respectively. At May 31, 2018 and May 31, 2017, the contribution remains outstanding and is included in due from related party on the statement of financial position.

**Note 5. Unconditional Promises to Give**

These unconditional promises to give at May 31, 2018 and 2017 are to be received by the Foundation in the following periods:

	2018	2017
Receivable in less than one year	\$ 31,578	\$ 34,798
Receivable in one to five years	71,312	51,692
	102,890	86,490
Less: discounts to net present value	(14,470)	(10,507)
Less: allowance for uncollectable promises to give	(32,400)	(32,700)
Net promises to give	\$ 56,020	\$ 43,283

Unconditional promises to give are from members and corporations located throughout the United States of America for the benefit of the Student Scholarship Fund, and are reflected at the present value of estimated future cash flows using a discount rate of 6%.

**APMA EDUCATIONAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2018 and 2017**

**Note 6. Endowment Funds**

The Foundation's endowment funds consist of the Student Scholarship Fund. Its endowment includes only donor-restricted funds and, as required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

***Investment Return Objectives, Risk Parameters and Strategies***

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds, if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return that exceeds certain criteria such as the consumer price index by 4% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**APMA EDUCATIONAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2018 and 2017**

**Note 6. Endowment Funds (continued)**

*Spending Policy*

According to the investment policy adopted by the Board of Directors of the Foundation, the Student Scholarship Fund will remain an endowment type fund, and the funds available for use will equal a minimum of 5% of the corpus as of the previous corporate fiscal year end. All endowment investment income earned during the year becomes part of the corpus on which the 5% is based. The amount awarded as scholarships may exceed 5%, however it may not exceed investment income earned during the previous year. All future contributions received will become endowment corpus.

The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by the Board of Directors interpretation of the UPMIFA is classified as permanently restricted net assets. The portion of endowment funds with purpose restrictions for spending is classified as temporarily restricted net assets.

Endowment net assets composition by type of fund as of May 31, 2018 and 2017, are as follows:

	2018			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total Net Endowment Assets</b>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 3,548,531</u>	<u>\$ 4,819,939</u>	<u>\$ 8,368,470</u>
	2017			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total Net Endowment Assets</b>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 3,175,004</u>	<u>\$ 4,743,338</u>	<u>\$ 7,918,342</u>

**APMA EDUCATIONAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2018 and 2017**

**Note 6. Endowment Funds (continued)**

Changes in endowment net assets for the year ended May 31, 2018, are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total Net Endowment Assets</b>
Endowment net assets, beginning of year	\$ -	\$ 3,175,004	\$ 4,743,338	\$ 7,918,342
Contributions	-	116,519	76,601	193,120
Realized and unrealized net gain	-	344,591	-	344,591
Interest and dividends	-	311,368	-	311,368
Investment manager fees	-	(26,303)	-	(26,303)
Amounts appropriated for expenditure	-	(372,648)	-	(372,648)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,548,531</u>	<u>\$ 4,819,939</u>	<u>\$ 8,368,470</u>

Changes in endowment net assets for the year ended May 31, 2017, are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total Net Endowment Assets</b>
Endowment net assets, beginning of year	\$ -	\$ 2,512,329	\$ 4,671,804	\$ 7,184,133
Contributions	-	106,078	71,534	177,612
Realized and unrealized net gain	-	613,804	-	613,804
Interest and dividends	-	220,550	-	220,550
Investment manager fees	-	(24,654)	-	(24,654)
Amounts appropriated for expenditure	-	(253,103)	-	(253,103)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,175,004</u>	<u>\$ 4,743,338</u>	<u>\$ 7,918,342</u>

**APMA EDUCATIONAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2018 and 2017**

**Note 7. Tax Status**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, entities that are classified under this section of the Code are taxed on “unrelated business income” as defined by IRS regulations. No unrelated business income tax was due for the years ended May 31, 2018 and 2017.

Accounting principles generally accepted in the United States of America require the Foundation to evaluate tax positions taken and recognize a tax liability if it is more likely than not that uncertain tax positions taken would not be sustained upon examination by taxing authorities. The Foundation has analyzed tax positions taken and has concluded that, as of May 31, 2018 and 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation had no interest and penalties related to income taxes for the years ended May 31, 2018 and 2017. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation’s returns are subject to examination by taxing authorities, generally for a period of three years after the returns are filed.

**Note 8. Risk and Uncertainties**

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements.



## Independent Auditors' Report on Supplementary Information

To the Board of Directors of  
APMA Educational Foundation, Inc.  
Bethesda, Maryland

We have audited the financial statements of APMA Educational Foundation, Inc. as of and for the year ended May 31, 2018, and our report thereon dated September 6, 2018, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 16 - 19, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



*Rockville, Maryland  
September 6, 2018*

**APMA EDUCATIONAL FOUNDATION, INC.  
RECONCILIATION OF OPERATING BUDGET GAIN  
TO INCREASE IN NET ASSETS  
For the Fiscal Year Ended May 31, 2018**

**UNAUDITED**

<b>Operating budget gain:</b>	\$ 433,279
<b>Items affecting financial statements:</b>	
Adjustment to pledges receivable	16,400
Adjustment to allowance for uncollectible pledges	300
Adjustment to present value of pledges	<u>(3,963)</u>
	<u>12,737</u>
<b>Increase in net assets</b>	<u><u>\$ 446,016</u></u>

*See independent auditors' report on supplementary information.*

**APMA EDUCATIONAL FOUNDATION, INC.**  
**INCOME AND EXPENSES**  
**For the Twelve Months Ending May 31, 2018**

**UNAUDITED**

	Actual	Budget	Variance	% of Budget
<b>Income</b>				
Scholarship General Fund	\$ 10,476	\$ 22,000	\$ ( 11,524 )	-52.38%
Scholarship Endowment	<u>836,342</u>	<u>573,500</u>	<u>262,842</u>	45.83%
Total income	<u>846,818</u>	<u>595,500</u>	<u>251,318</u>	42.20%
<b>Expenses</b>				
Scholarship General Fund	14,588	20,500	(5,912)	-28.84%
Scholarship Endowment	<u>398,951</u>	<u>396,400</u>	<u>2,551</u>	0.64%
Total expenses	<u>413,539</u>	<u>416,900</u>	<u>(3,361)</u>	-0.81%
<b>Net operating results</b>	<u>\$ 433,279</u>	<u>\$ 178,600</u>	<u>\$ 254,679</u>	142.60%

*See independent auditors' report on supplementary information.*

**APMA EDUCATIONAL FOUNDATION, INC.**  
**INCOME AND EXPENSES**  
**For the Twelve Months Ending May 31, 2018**

**UNAUDITED**

	Actual	Budget	Variance	% of Budget
<b>Scholarship - General Fund</b>				
<b>Income</b>				
Coding Resource Center Contribution	\$ 2,150	\$ 5,000	\$ (2,850)	
Memorials and Honors	2,601	-	2,601	
Hall of Fame Luncheon	728	1,000	(272)	
5K Walk/Run	414	1,000	(586)	
Annual giving	4,492	15,000	(10,508)	
Investment Income	<u>91</u>	<u>-</u>	<u>91</u>	
<b>Total income</b>	<u>10,476</u>	<u>22,000</u>	<u>(11,524)</u>	-52.38%
<b>Expenses</b>				
<b>Administration</b>				
Accounting/Auditing	10,200	10,000	200	
Bank charges	92	100	(8)	
Credit card fees	2,723	3,000	(277)	
Licensing and permits	705	250	455	
Supplies	<u>868</u>	<u>650</u>	<u>218</u>	
	<u>14,588</u>	<u>14,000</u>	<u>588</u>	4.20%
<b>Programs</b>				
Planned giving	-	1,500	(1,500)	
Annual giving	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>	
	<u>-</u>	<u>6,500</u>	<u>(6,500)</u>	-100.00%
<b>Total expenses</b>	<u>14,588</u>	<u>20,500</u>	<u>(5,912)</u>	-28.84%
<b>Net operating results</b>	<u>\$ (4,112)</u>	<u>\$ 1,500</u>	<u>\$ (5,612)</u>	

*See independent auditors' report on supplementary information.*

**APMA EDUCATIONAL FOUNDATION, INC.**  
**INCOME AND EXPENSES**  
**For the Twelve Months Ending May 31, 2018**

**UNAUDITED**

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% of Budget</b>
<b>Endowment</b>				
<b>Income</b>				
Coding Resource Center Contribution	\$ 19,350	\$ 45,000	\$ (25,650)	
Scholarship Pledge Payments	65,598	7,500	58,098	
Memorials and Honors	23,405	-	23,405	
Hall of Fame Luncheon	15,496	15,000	496	
5K Walk/Run	12,432	12,000	432	
Annual Giving	44,102	135,000	(90,898)	
Investment Income	<u>655,959</u>	<u>359,000</u>	<u>296,959</u>	
<b>Total income</b>	<u>836,342</u>	<u>573,500</u>	<u>262,842</u>	45.83%
<b>Expenses</b>				
<b>Administration</b>				
Investment Manager Fees	<u>26,303</u>	<u>25,600</u>	<u>703</u>	2.75%
<b>Programs</b>				
Scholarships	351,000	350,000	1,000	
Grants	315	5,800	(5,485)	
Hall of Fame Luncheon	8,948	8,000	948	
5K Walk/Run	8,710	7,000	1,710	
Annual Giving	<u>3,675</u>	<u>-</u>	<u>3,675</u>	
	<u>372,648</u>	<u>370,800</u>	<u>1,848</u>	0.50%
<b>Total expenses</b>	<u>398,951</u>	<u>396,400</u>	<u>2,551</u>	0.64%
<b>Net operating results</b>	<u>\$ 437,391</u>	<u>\$ 177,100</u>	<u>\$ 260,291</u>	146.97%

*See independent auditors' report on supplementary information.*