

APMA EDUCATIONAL FOUNDATION, INC.

FINANCIAL REPORT

May 31, 2019

APMA EDUCATIONAL FOUNDATION, INC.

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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, 2019, and the related statements of activities, functional expenses, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter – Effect of Adopting New Accounting Standard

As discussed in Note 2, APMA Educational Foundation, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended May 31, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



*Rockville, Maryland
October 10, 2019*

APMA EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2019
(With Comparative Totals for 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 42,172	\$ 68,783	\$ 110,955	\$ 192,400
Investments - at fair value	-	7,794,579	7,794,579	8,161,890
Due from related party	-	-	-	21,500
Prepaid expense	7,708	-	7,708	5,208
Total current assets	49,880	7,863,362	7,913,242	8,380,998
Unconditional promises to give, net Restricted to payment of student scholarship fund	-	35,784	35,784	56,020
Total assets	\$ 49,880	\$ 7,899,146	\$ 7,949,026	\$ 8,437,018
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 1,000	\$ -	\$ 1,000	\$ 315
Deferred income	1,975	17,925	19,900	15,774
Total current liabilities	2,975	17,925	20,900	16,089
Net Assets				
Without donor restrictions	46,905	-	46,905	52,459
With donor restrictions				
Purpose restricted	-	3,086,060	3,086,060	3,604,551
Donor-restricted endowment corpus	-	4,795,161	4,795,161	4,763,919
Total net assets	46,905	7,881,221	7,928,126	8,420,929
Total liabilities and net assets	\$ 49,880	\$ 7,899,146	\$ 7,949,026	\$ 8,437,018

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

APMA EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Year Ended May 31, 2019
(With Comparative Totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Contributions, net of uncollectable promises to give	\$ 7,232	\$ 63,159	\$ 70,391	\$ 174,433
Hall of fame luncheon	600	15,425	16,025	16,224
5K walk/run	920	13,757	14,677	12,846
In-kind contribution - related party	8,568	-	8,568	96,612
Investment return, net	74	(55,593)	(55,519)	629,747
	17,394	36,748	54,142	929,862
Total support and revenue before release of restrictions				
Net assets released from restrictions	523,997	(523,997)	-	-
	541,391	(487,249)	54,142	929,862
Total revenue and support				
Expenses				
Program expenses	418,049	-	418,049	351,000
Support	112,947	-	112,947	117,800
Fundraising and development	15,949	-	15,949	15,046
	546,945	-	546,945	483,846
Total expenses				
Change in net assets	(5,554)	(487,249)	(492,803)	446,016
Net assets - beginning of year	52,459	8,368,470	8,420,929	7,974,913
Net assets - end of year	\$ 46,905	\$ 7,881,221	\$ 7,928,126	\$ 8,420,929

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

APMA EDUCATIONAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended May 31, 2019

	<u>Program Expenses</u>			
	<u>Scholarship Expense</u>	<u>Support</u>	<u>Fundraising and Development</u>	<u>Total</u>
Scholarships	\$ 406,750	\$ -	\$ -	\$ 406,750
Administrative fees	-	90,000	-	90,000
Accounting/Auditing	-	10,300	-	10,300
In kind administrative services	-	8,568	-	8,568
Printing and postage	4,815	235	3,286	8,336
Meals	-	-	8,168	8,168
Grants	5,460	-	-	5,460
Other meeting costs	1,024	-	4,217	5,241
Credit card and bank fees	-	3,444	-	3,444
Licensing and permits	-	400	278	678
Total expenses	<u>\$ 418,049</u>	<u>\$ 112,947</u>	<u>\$ 15,949</u>	<u>\$ 546,945</u>

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

APMA EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Year Ended May 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (492,803)	\$ 446,016
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Recovery of promises to give	-	(300)
Discount on promises to give	(3,714)	3,963
Realized and unrealized (gains) losses	411,884	(344,591)
(Increase) decrease in assets:		
Due from related party	21,500	28,500
Unconditional promises to give	23,950	(16,400)
Prepaid expenses	(2,500)	(2,708)
Increase (decrease) in liabilities:		
Accounts payable	685	(1,185)
Deferred income	4,126	(850)
Net cash provided by (used in) operating activities	(36,872)	112,445
Cash flows from investing activities:		
Purchases of investments	(378,398)	(1,113,500)
Proceeds from sales of investments	333,825	1,023,138
Net cash used in investing activities	(44,573)	(90,362)
Net increase (decrease) in cash and cash equivalents	(81,445)	22,083
Cash and cash equivalents at beginning of year	192,400	170,317
Cash and cash equivalents at end of year	\$ 110,955	\$ 192,400

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

APMA EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

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

Basis 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.

Basis of Presentation

The Foundation reports 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. Net assets without donor restrictions represent the expendable net assets that are available for support of the Foundation. Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time and those that are subject to donor-imposed stipulations that the Foundation maintain them permanently.

Recent Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Foundation has adopted this ASU as of and for the year ended May 31, 2019 with retrospective application for the fiscal 2018 financial statements. The adoption of this ASU had no effect on net assets or the change in net assets presented for the years ended May 31, 2019 and 2018.

The Foundation opted to not disclose liquidity and availability information, and an analysis of functional expenses by nature for 2018, as permitted under the ASU in the year of adoption.

APMA EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

Note 2. Summary of Significant Accounting Policies (continued)

Comparative Totals

The financial statements include certain prior-year summarized comparative information. The 2018 information does not show a breakout of net assets without donor restrictions and net assets with donor restrictions, 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, 2018, from which the summarized information was derived.

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers demand deposits, amounts held in repurchase agreements with financial institutions, and all highly liquid investments, including certificates of deposits, with an original maturity of three months or less to be cash and cash equivalents.

Investments

Investments are carried at fair value. Money market funds are carried at cost which approximates fair value. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

APMA EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

Note 2. Summary of Significant Accounting Policies (continued)

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The unconditional promises to give are recorded at net realizable value.

Functional Allocation of Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are printing and postage, which are allocated based on usage among program and supporting services.

Subsequent Events

In preparing its financial statements, the Foundation has evaluated subsequent events through October 10, 2019, which is the date the financial statements were available to be issued.

Note 3. Liquidity and Availability

As of May 31, 2019, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 110,955
Investments	<u>7,794,579</u>
	7,905,534
Less: net assets with donor restrictions	<u>(7,881,221)</u>
	<u>\$ 24,313</u>

As part of the Foundation's liquidity management, it invests cash in various short-term investments, including common stocks, mutual funds, and money market funds. Total investments per the statements of financial position are included above as any investment can be liquidated immediately to meet general expenditures. The Foundation manages its liquid resources by focusing on investing excess cash in investments that maximize earnings potential balanced with the amount of risk the Foundation has decided can be tolerated.

APMA EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

Note 4. Fair Value Measurements

Financial Accounting Standards Board (FASB) provides the 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) 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, 2019 and 2018

Note 4. 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, 2019 and 2018.

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, 2019 and 2018

Note 4. 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, 2019 and 2018:

Assets at Fair Value as of May 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Growth funds	\$ 2,928,629	\$ -	\$ -	\$ 2,928,629
Bond funds	1,415,394	-	-	1,415,394
Foreign stock funds	1,378,402	-	-	1,378,402
Income funds	1,247,787	-	-	1,247,787
Other funds	<u>451,227</u>	<u>-</u>	<u>-</u>	<u>451,227</u>
Total Mutual Funds	<u>7,421,439</u>	<u>-</u>	<u>-</u>	<u>7,421,439</u>
Common Stocks:				
Technology	57,335	-	-	57,335
Other	<u>6,932</u>	<u>-</u>	<u>-</u>	<u>6,932</u>
Total Equities	<u>64,267</u>	<u>-</u>	<u>-</u>	<u>64,267</u>
Money Market Funds	-	308,873	-	308,873
Promises to Give	<u>-</u>	<u>35,784</u>	<u>-</u>	<u>35,784</u>
	<u>\$ 7,485,706</u>	<u>\$ 344,657</u>	<u>\$ -</u>	<u>\$ 7,830,363</u>

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>-</u>	<u>-</u>	<u>508,286</u>
Total Mutual Funds	<u>7,788,800</u>	<u>-</u>	<u>-</u>	<u>7,788,800</u>
Common Stocks:				
Technology	57,983	-	-	57,983
Other	<u>7,642</u>	<u>-</u>	<u>-</u>	<u>7,642</u>
Total Equities	<u>65,625</u>	<u>-</u>	<u>-</u>	<u>65,625</u>
Money Market Funds	-	307,465	-	307,465
Promises to Give	<u>-</u>	<u>56,020</u>	<u>-</u>	<u>56,020</u>
	<u>\$ 7,854,425</u>	<u>\$ 363,485</u>	<u>\$ -</u>	<u>\$ 8,217,910</u>

APMA EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

Note 4. Fair Value Measurements (continued)

The following summarizes the investment return and its classification in the statement of activities for the years ended May 31, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 382,430	\$ 311,459
Realized and unrealized net gains (losses)	(411,884)	344,591
Investment expenses	(26,065)	(26,303)
Total net investment return	\$ (55,519)	\$ 629,747

Note 5. 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 paid \$ 90,000 to APMA for administrative services for the year ended May 31, 2019. The Foundation has recognized revenue and related expense of \$ 8,568 and \$ 96,612 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, 2019 and 2018, respectively.

In 2018, APMA contributed \$ 21,500 to the Foundation. At May 31, 2018, the contribution was outstanding and is included in due from related party on the statement of financial position. There was no contribution made to the Foundation in 2019.

Note 6. Unconditional Promises to Give

These unconditional promises to give at May 31, 2019 and 2018 are to be received by the Foundation in the following periods:

	2019	2018
Receivable in less than one year	\$ 22,726	\$ 31,578
Receivable in one to five years	56,214	71,312
	78,940	102,890
Less: discounts to net present value	(10,756)	(14,470)
Less: allowance for uncollectable promises to give	(32,400)	(32,400)
Net promises to give	\$ 35,784	\$ 56,020

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, 2019 and 2018

Note 7. Donor-restricted Endowments

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 State of Maryland's version of 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 net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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, 2019 and 2018

Note 7. Donor-restricted Endowments (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.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Endowment net assets composition by type of fund as of May 31, 2019 and 2018, are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 7,881,221</u>	<u>\$ 7,881,221</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 8,368,470</u>	<u>\$ 8,368,470</u>

APMA EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

Note 7. Donor-restricted Endowments (continued)

Changes in endowment net assets for the year ended May 31, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 8,368,470	\$ 8,368,470
Contributions	-	92,341	92,341
Realized and unrealized net loss	-	(411,884)	(411,884)
Interest and dividends	-	382,356	382,356
Investment manager fees	-	(26,065)	(26,065)
Amounts appropriated for expenditure	-	(523,997)	(523,997)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 7,881,221</u>	<u>\$ 7,881,221</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 7,918,342	\$ 7,918,342
Contributions	-	193,120	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>\$ 8,368,470</u>	<u>\$ 8,368,470</u>

APMA EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

Note 8. 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, 2019 and 2018.

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, 2019 and 2018, 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, 2019 and 2018. 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 9. 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 statement of activities.

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, 2019, and our report thereon dated October 10, 2019, 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 19 - 22, 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
October 10, 2019*

APMA EDUCATIONAL FOUNDATION, INC.
RECONCILIATION OF OPERATING BUDGET GAIN
TO INCREASE IN NET ASSETS
For the Fiscal Year Ended May 31, 2019

UNAUDITED

Operating budget loss:	\$ (430,275)
Items affecting financial statements:	
Adjustment to pledges receivable	(23,952)
Adjustment to present value of pledges	3,714
Adjustment to unrealized loss on investments	(40)
Adjustment to contributions	<u>(42,250)</u>
	<u>(62,528)</u>
Decrease in net assets	<u>\$ (492,803)</u>

See independent auditors' report on supplementary information.

APMA EDUCATIONAL FOUNDATION, INC.
INCOME AND EXPENSES
For the Twelve Months Ending May 31, 2019

UNAUDITED

	Actual	Budget	Variance	% of Budget
Income				
Scholarship general fund	\$ 7,286	\$ 13,600	\$ (6,314)	-46.43%
Scholarship endowment	<u>126,880</u>	<u>605,150</u>	<u>(478,270)</u>	-79.03%
Total income	<u>134,166</u>	<u>618,750</u>	<u>(484,584)</u>	-78.32%
Expenses				
Scholarship general fund	14,379	13,600	779	5.73%
Scholarship endowment	<u>550,062</u>	<u>541,050</u>	<u>9,012</u>	1.67%
Total expenses	<u>564,441</u>	<u>554,650</u>	<u>9,791</u>	1.77%
Net operating results	<u>\$ (430,275)</u>	<u>\$ 64,100</u>	<u>\$ (494,375)</u>	-771.26%

See independent auditors' report on supplementary information.

APMA EDUCATIONAL FOUNDATION, INC.
INCOME AND EXPENSES
For the Twelve Months Ending May 31, 2019

UNAUDITED

	Actual	Budget	Variance	% of Budget
Scholarship - General Fund				
Income:				
Coding resource center contribution	\$ -	\$ -	\$ -	
Memorials and honors	842	500	342	
Hall of fame luncheon	600	650	(50)	
5K walk/run	920	950	(30)	
Annual giving	4,850	11,500	(6,650)	
Investment income	74	-	74	
Total income	7,286	13,600	(6,314)	-46.43%
Expenses:				
<u>Administration</u>				
Accounting/Auditing	10,300	10,000	300	
Bank charges	100	100	-	
Credit card fees	3,344	3,000	344	
Licensing and permits	400	200	200	
Supplies/Postage	235	300	(65)	
Total expenses	14,379	13,600	779	5.73%
Net operating results	\$ (7,093)	\$ -	\$ (7,093)	

See independent auditors' report on supplementary information.

APMA EDUCATIONAL FOUNDATION, INC.
INCOME AND EXPENSES
For the Twelve Months Ending May 31, 2019

UNAUDITED

	Actual	Budget	Variance	% of Budget
Endowment				
Income:				
Scholarship pledge payments	\$ 31,532	\$ 40,000	\$ (8,468)	
Memorials and honors	7,582	4,500	3,082	
Hall of fame luncheon	15,425	16,350	(925)	
5K walk/run	13,757	18,550	(4,793)	
Annual giving	45,821	108,500	(62,679)	
Scholarship funds - carryover from prior year	42,250	42,250	-	
Investment income	<u>(29,487)</u>	<u>375,000</u>	<u>(404,487)</u>	
Total income	<u>126,880</u>	<u>605,150</u>	<u>(478,270)</u>	-79.03%
Expenses:				
<u>Administration</u>				
Administrative services agreement	90,000	90,000	-	
Investment manager fees	<u>26,065</u>	<u>26,000</u>	<u>65</u>	
	116,065	116,000	65	0.06%
<u>Programs</u>				
Scholarships	406,750	392,250	14,500	
Grants	5,460	5,800	(340)	
Hall of fame luncheon	10,024	10,500	(476)	
5K walk/run	5,924	10,000	(4,076)	
Planned giving	-	1,500	(1,500)	
Annual giving	<u>5,839</u>	<u>5,000</u>	<u>839</u>	
	<u>433,997</u>	<u>425,050</u>	<u>8,947</u>	2.10%
Total expenses	<u>550,062</u>	<u>541,050</u>	<u>9,012</u>	1.67%
Net operating results	<u>\$ (423,182)</u>	<u>\$ 64,100</u>	<u>\$ (487,282)</u>	-760.19%

See independent auditors' report on supplementary information.