

American Academy of Physician Assistants

Financial Report
June 30, 2015

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Independent Auditor's Report

To the Board of Directors
American Academy of Physician Assistants
Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of American Academy of Physician Assistants (the Academy) which comprise the statements of financial position as of June 30, 2015 and 2014, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Academy of Physician Assistants as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

McLean, Virginia
November 4, 2015

American Academy of Physician Assistants

**Statements of Financial Position
June 30, 2015 and 2014**

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,899,756	\$ 622,587
Receivables	1,594,359	1,095,049
Due from Affiliate	80,078	60,514
Prepaid expenses	506,252	369,754
Total current assets	4,080,445	2,147,904
Investments	19,029,728	18,551,165
Deferred Compensation Investments	313,482	282,978
Property and Equipment, Net	2,511,140	2,871,501
	21,854,350	21,705,644
	\$ 25,934,795	\$ 23,853,548
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,609,439	\$ 2,723,953
Line of credit	-	500,000
Current portion of capital lease	140,831	134,645
Current portion of deferred rent	123,734	123,734
Deferred revenue	8,304,997	7,028,900
Total current liabilities	12,179,001	10,511,232
Long-Term Liabilities		
Capital lease, net of current portion	60,572	201,404
Deferred rent, net of current portion	2,976,148	3,021,664
Deferred compensation payable	313,482	282,978
Security deposit	12,798	12,798
	3,363,000	3,518,844
	15,542,001	14,030,076
Commitments (Notes 8 and 9)		
Net Assets		
Unrestricted	10,275,864	9,677,472
Temporarily restricted	116,930	146,000
	10,392,794	9,823,472
	\$ 25,934,795	\$ 23,853,548

See Notes to Financial Statements.

American Academy of Physician Assistants

Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Dues	\$ 10,029,814	\$ -	\$ 10,029,814
Registration fees	3,200,413	-	3,200,413
Royalties	3,231,065	-	3,231,065
Grants	1,874,567	116,930	1,991,497
Fee for service	628,893	-	628,893
Exhibit fees	775,515	-	775,515
Sponsorships	224,250	-	224,250
Product theatre and product sales	902,358	-	902,358
Advertising revenue	445,838	-	445,838
Sublease revenue	161,730	-	161,730
Miscellaneous revenue	14,984	-	14,984
Net assets released from restrictions	146,000	(146,000)	-
Total revenue and support	21,635,427	(29,070)	21,606,357
Expenses			
Program services:			
Annual conference and meeting services	2,474,562	-	2,474,562
Research and statistics	360,945	-	360,945
Education	3,147,155	-	3,147,155
Advocacy and government relations			
professional development	2,948,606	-	2,948,606
Marketing and communications	3,760,436	-	3,760,436
Governance and leadership development	1,059,552	-	1,059,552
Membership	1,038,635	-	1,038,635
Strategic business development	376,137	-	376,137
	15,166,028	-	15,166,028
Supporting services:			
Finance, human resources and			
administrative services	3,829,794	-	3,829,794
Executive department	736,700	-	736,700
Technology services	1,621,032	-	1,621,032
Membership recruiting	298,000	-	298,000
Contract support	39,773	-	39,773
	6,525,299	-	6,525,299
Total expenses	21,691,327	-	21,691,327
Change in net assets before other changes	(55,900)	(29,070)	(84,970)
Investment Income	654,292	-	654,292
Change in net assets	598,392	(29,070)	569,322
Net Assets			
Beginning	9,677,472	146,000	9,823,472
Ending	\$ 10,275,864	\$ 116,930	\$ 10,392,794

See Notes to Financial Statements.

American Academy of Physician Assistants

Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Dues	\$ 9,487,677	\$ -	\$ 9,487,677
Registration fees	2,638,362	-	2,638,362
Royalties	3,173,823	-	3,173,823
Grants	813,445	146,000	959,445
Fee for service	650,523	-	650,523
Exhibit fees	792,204	-	792,204
Sponsorships	146,619	-	146,619
Product theatre and product sales	1,126,275	-	1,126,275
Advertising revenue	266,952	-	266,952
Sublease revenue	157,403	-	157,403
Miscellaneous revenue	28,424	-	28,424
Net assets released from restrictions	442,873	(442,873)	-
Total revenue and support	19,724,580	(296,873)	19,427,707
Expenses			
Program services:			
Annual conference and meeting services	2,781,517	-	2,781,517
Education	2,399,305	-	2,399,305
Advocacy and government relations			
professional development	2,827,385	-	2,827,385
Marketing and communications	3,591,705	-	3,591,705
Governance and leadership development	1,124,013	-	1,124,013
Membership	2,004,155	-	2,004,155
Strategic business development	468,682	-	468,682
	15,196,762	-	15,196,762
Supporting services:			
Finance, human resources and			
administrative services	3,575,059	-	3,575,059
Executive department	725,323	-	725,323
Technology services	1,555,896	-	1,555,896
Membership recruiting	181,849	-	181,849
Contract support	39,625	-	39,625
	6,077,752	-	6,077,752
Total expenses	21,274,514	-	21,274,514
Change in net assets before other changes	(1,549,934)	(296,873)	(1,846,807)
Investment Income	1,652,496	-	1,652,496
Loss on Sale of Land and Building	(558,005)	-	(558,005)
Change in net assets	(455,443)	(296,873)	(752,316)
Net Assets			
Beginning	10,132,915	442,873	10,575,788
Ending	\$ 9,677,472	\$ 146,000	\$ 9,823,472

See Notes to Financial Statements.

American Academy of Physician Assistants

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 569,322	\$ (752,316)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	508,149	503,962
Deferred rent	(45,516)	(12,799)
Realized and unrealized gain on investments	(302,637)	(1,359,024)
Loss on disposal of property and equipment	65,436	558,005
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(499,310)	(319,189)
Prepaid expenses	(136,498)	20,259
Due from Affiliate	(19,564)	50,894
Increase (decrease) in:		
Accounts payable and accrued expenses	885,486	(365,691)
Deferred revenue	1,276,097	822,659
Net cash provided by (used in) operating activities	2,300,965	(853,240)
Cash Flows From Investing Activities		
Purchases of investments	(6,844,227)	(15,228,345)
Proceeds from sales of investments	6,668,300	10,865,158
Proceeds from sale of land and building	-	4,207,944
Purchases of equipment	(213,224)	(365,064)
Net cash used in investing activities	(389,151)	(520,307)
Cash Flows From Financing Activities		
Net proceeds (repayments) from line of credit	(500,000)	319,223
Principal payments on capital lease obligation	(134,645)	(128,730)
Net cash provided by (used in) financing activities	(634,645)	190,493
Net increase (decrease) in cash and cash equivalents	1,277,169	(1,183,054)
Cash and Cash Equivalents		
Beginning	622,587	1,805,641
Ending	\$ 1,899,756	\$ 622,587
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 51,632	\$ 51,213
Supplemental Schedules of Non-Cash Investing and Financing Activities		
Increase (decrease) in value of deferred compensation payable	\$ 13,206	\$ 40,001
Equipment acquired under capital lease	\$ -	\$ 464,779

See Notes to Financial Statements.

American Academy of Physician Assistants

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

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

The Academy operates the following major programs:

Annual Conference and Meeting Services

- Provide continuing medical education (CME) and non-CME education and learning opportunities to the physician assistant profession by virtue of organizing and managing an Annual Conference as well as specialty meetings.

Education

- Set standards and approve CME programs and credits for physician assistants for programs that have not already been designated for physician CME credit.
- Provide continuing medical education programs.
- Provide information for physician assistant programs and physician assistant professional development.

Research and Statistics

- Conduct compensation studies at regular intervals and produce resulting reports.
- Conduct member research studies at regular intervals and produce resulting reports.
- Serve as thought leader as AAPA collaborates with external partners.

Advocacy and Government Relations Professional Development

- Speak for the physician assistant profession in Capitol Hill and at the State level.
- Provide information and tools regarding legislative activities.
- Provide information regarding physician assistant practice.
- Support State, specialty and special interest constituent organizations on policy related matters.

Marketing and Communications

- Publish *PA Professional* and *JAAPA*.
- Provide media outreach and campaigns to raise awareness to correct misconceptions regarding the physician assistant profession.

Governance and Leadership Development

- Facilitate and promote dialogues among physician assistants to help formulate public policies regarding physician assistants and health care in general.
- Award extraordinary leaders among physician assistants community in recognition of their efforts.

Membership

- Support, recruit and retain student, fellow and retired physician assistant members through educating them regarding member benefits and member value by virtue of being a member of the Academy.
- Conduct research on physician assistants demographics, their practice trends and publish annual census survey to promote growth of the profession.

American Academy of Physician Assistants

Notes to Financial Statements

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

Strategic Business Development

- Support financial sustainability by helping grow the non-dues revenue through advertising, sponsorship sales and royalty revenue.

Supporting services include the functions necessary to provide support to the Academy's program activities and include activities such as business management, financial recordkeeping, human resources, and technology and facility support.

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

Basis of presentation and net assets: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, the Academy reports net assets and changes in net assets in three classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets; based on the existence or absence of restrictions on use that are placed by its donors. Unrestricted net assets are resources available to support general operations. Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Restrictions that are met by the Academy in the year in which they are received are recognized as unrestricted support. The Academy had no permanently restricted net assets at June 30, 2015 and 2014.

Concentration of risks: The Academy maintains its cash in bank deposit accounts which, at times, may exceed the limits insured by Federal Deposit Insurance Corporation. The Academy has not experienced any loss in such accounts. The Academy believes that it is not exposed to significant credit risk on these accounts.

The Academy invests in professionally managed portfolios that contain various securities. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the significance of investments to the Academy's financial position and the level of risk inherent in most investments, it is at least reasonably possible that changes in the values of these investments could occur in the near term, and such changes could materially affect investment balances and the related amounts reported in the financial statements. In the opinion of management, diversification of its invested assets among various asset classes should mitigate the impact of these changes.

Cash and cash equivalents: For purposes of reporting cash flows, the Academy considers cash equivalents to be all highly liquid investments with maturities of three months or less when purchased, other than those held as part of the Academy's long-term investments portfolio, which are reported with investments.

Investments: Investments are reflected at fair value, which is determined based on quoted market rates. To adjust the carrying value of investments, the unrealized gains or losses are reported in the statements of activities as part of investment income.

Receivables: Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. There was no provision for doubtful accounts, based on management's evaluation of the collectability of receivables at June 30, 2015 and 2014.

American Academy of Physician Assistants

Notes to Financial Statements

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

Property and equipment: Property and equipment are stated at cost. Depreciation is computed using the straight-line method over estimated useful lives, ranging from three to ten years for furniture, computers and equipment. Leasehold improvements and capital leases are amortized over the shorter of the lease term or useful life.

The Academy capitalizes all acquisitions over \$2,500. Expenditures for major renewals and betterments that extend the useful lives of fixed assets are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

Valuation of long-lived assets: The Academy reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Revenue recognition: Dues are recognized as revenue ratably over the membership period. Dues received in advance are reported as deferred revenue and recognized during the period of membership. Student memberships expire four months after graduation; all other Academy membership types expire 12 to 24 months from the join date. Refunds may be issued for the unused portion.

Registration fees and exhibit fees related to the conferences are recognized at the time of the conference. Amounts received in advance are recorded as deferred revenue.

All other revenue is recognized when earned or upon delivery of the material.

Tax status: The Academy is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. Business income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. For the year ended June 30, 2015, the Academy had no net unrelated business income and accordingly, no provision for income taxes is required in the accompanying financial statements. Management evaluated the Academy's tax positions and concluded that the Academy had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Academy files income tax returns in the U.S. federal jurisdiction. Generally, the Academy is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012.

Use of estimates: The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: The Academy evaluated subsequent events through November 4, 2015, which is the date the financial statements were available to be issued.

American Academy of Physician Assistants

Notes to Financial Statements

Note 2. Investments

Investments consist of the following at June 30, 2015 and 2014:

	2015	2014
Equities	\$ 9,038,809	\$ 8,692,631
Exchange traded funds	4,859,982	4,794,751
Mutual funds		
Fixed income funds	2,927,170	2,811,429
Equity funds	47,616	90,640
Accelerated return notes	1,821,662	1,688,535
Money market funds	303,071	473,179
Other	31,418	-
	<u>\$ 19,029,728</u>	<u>\$ 18,551,165</u>

Investment income consists of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Net realized and unrealized gain	\$ 302,637	\$ 1,359,024
Investment and dividend income	351,655	293,472
	<u>\$ 654,292</u>	<u>\$ 1,652,496</u>

Note 3. Property and Equipment

Property and equipment consists of the following at June 30, 2015 and 2014:

	2015	2014
Leasehold improvements	\$ 1,890,508	\$ 1,862,759
Computer equipment	2,015,762	1,815,335
Furniture and equipment	1,569,777	1,560,079
Capital leases	464,780	464,779
Office equipment	427,121	414,618
Software applications in progress	15,750	120,347
	<u>6,383,698</u>	<u>6,237,917</u>
Less accumulated depreciation and amortization	<u>(3,872,558)</u>	<u>(3,366,416)</u>
	<u>\$ 2,511,140</u>	<u>\$ 2,871,501</u>

Depreciation expense for the years ended June 30, 2015 and 2014, was \$508,149 and \$503,962, respectively. The Academy's land and building were sold in February 2014 resulting in a loss of \$558,005, reflected in the statement of activities.

American Academy of Physician Assistants

Notes to Financial Statements

Note 4. Capital Lease Obligation

The Academy entered into a capital lease agreement, expiring in 2017, secured by the leased equipment with an original purchase price of \$464,779. Accumulated depreciation related to the capital lease totaled \$272,066 and \$136,033 at June 30, 2015 and 2014, respectively.

Future minimum lease payments under the lease are as follows:

Year Ending June 30,

2016	\$	147,013
2017		61,256
		<hr/> 208,269
Less amount representing interest		6,866
Present value of minimum lease payments	\$	<hr/> 201,403 <hr/>
Current portion of capital leases	\$	140,831
Long-term portion of capital leases		60,572
	\$	<hr/> 201,403 <hr/>

Note 5. Line of Credit

During the year ended June 30, 2013, the Academy entered into a \$6,000,000 line of credit with the bank with a maturity date of February 21, 2016. The interest rate is equal to the British Bankers Association LIBOR Daily Floating Rate plus 1.75% annually. The line was collateralized by the Academy's personal property and investment accounts. The line had a \$0 balance as of June 30, 2015. The outstanding balance at June 30, 2014, was \$500,000.

Note 6. Related Party Transactions

The Academy provides staffing, office space, office services and certain other administrative support to The Physician Assistant Foundation (the Foundation), a related organization, and the Academy is reimbursed for the actual costs. The Academy is reimbursed for these costs based on representative allocations of payroll and other administrative costs incurred by the Academy on behalf of the Foundation. Total costs incurred by the Academy for the Foundation for the years ended June 30, 2015 and 2014, were \$420,641 and \$329,594, respectively. For the years ended June 30, 2015 and 2014, the amount recorded in the Academy's financial statements as administrative fees was \$80,000 in each year. At June 30, 2015 and 2014, amounts due to the Academy from the Foundation were \$80,078 and \$60,514, respectively.

The Academy compensates its Board members and reimburses their employers for time spent on Academy affairs at rates comparable with the cost of their time.

American Academy of Physician Assistants

Notes to Financial Statements

Note 6. Related Party Transactions (Continued)

The American Academy of Physician Assistants Political Action Committee (AAPA-PAC) is a political fund that allows the individual physician assistant 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. AAPA-PAC is exempt from the payment of income taxes on its exempt function income under Section 527(a) of the Internal Revenue Code (IRC). Its activities are not included in the accompanying financial statements as its operations are immaterial to the Academy. Net assets of AAPA-PAC were approximately \$113,838 and \$89,624 at June 30, 2015 and 2014, respectively. The Academy provides office space, use of equipment, supplies and administrative services to PAC.

Note 7. Retirement Plan and Deferred Compensation

The Academy has a 401(k) plan covering substantially all employees who have attained age 21. Employees may contribute to the plan immediately upon hire but are not eligible to receive an employer matching contribution until completion of six months of service. Employer contributions paid under this plan totaled approximately \$267,317 and \$209,028 for the years ended June 30, 2015 and 2014, respectively.

The Academy sponsors a deferred compensation plan under Section 457 of the Internal Revenue Code. Contributions by the Academy to the plan for the years ended June 30, 2015 and 2014, were \$17,298 and \$3,246, respectively. The deferred compensation is adjusted annually to represent the fair market value of the investments in the plan. At June 30, 2015 and 2014, the fair market value of the investments was \$313,482 and \$282,978, respectively.

Note 8. Commitments

During the year ended June 30, 2013, the Academy entered a new agreement for publication of its journal. The agreement is for a five-year period starting January 1, 2013, with an optional renewal for an additional two-year period. The Academy is obligated to pay quarterly a subscription fee of \$8 for each individual member per calendar year for a minimum of 41,000 members a year (a minimum annual fee of \$328,000 and a maximum amount of \$392,000) through the term of the contract, and will receive a guaranteed minimum royalty of \$406,885 for 2014 escalating to \$544,516 in 2018.

The Academy has entered into contracts to facilitate annual conferences through 2022. In the event of cancellation, the Academy is required to pay various costs of the facilities as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation. The Academy purchases insurance for event cancellation of annual conferences to mitigate this potential loss.

American Academy of Physician Assistants

Notes to Financial Statements

Note 9. Office Lease

The Academy has a lease agreement for its office space that expires in December 2026. The Academy received rent abatement for the first 12.5 months of the lease. A deferred rent amount was recognized to allocate the benefit of this free rent and escalating rent payments throughout the term of the lease. Under the lease agreement, the landlord also provided an allowance for building improvements up to \$65 per rentable square feet. This amount was recorded as leasehold improvements and deferred rent in the statements of financial position and will be amortized over the lease term. Total base office rent charged to operations for the years ended June 30, 2015 and 2014, was \$1,176,903 in each year.

The Academy has a \$285,540 letter of credit with a financial institution to cover the security deposit related to the lease above. The letter of credit is required by the landlord and allows the landlord to draw on it at any time. For the years ended June 30, 2015 and 2014, the landlord has not drawn on the letter of credit.

Future minimum payments under this agreement are as follows:

Year Ending June 30,

2016	\$ 1,256,040
2017	1,290,581
2018	1,326,072
2019	1,362,539
2020	1,400,008
Thereafter	10,081,563
	<u>\$ 16,716,803</u>

The Academy has an agreement to sublease a portion of their office space which expires on September 30, 2015. Rental revenue for the years ended June 30, 2015 and 2014, was \$161,730 and \$157,403, respectively. Future rental income at June 30, 2015, is \$40,729.

American Academy of Physician Assistants

Notes to Financial Statements

Note 10. Temporarily Restricted Net Assets

The Academy received certain donations, grants and sponsorships designated for specific uses. Restricted net assets during the years ended June 30, 2015 and 2014, consist of the following:

Institute for Preventative Foot Health: To support AAPA National Diabetes Initiative Phase 2: Diabetes Foot Exam Online CME. AAPA National Diabetes Initiative Phase 2 Diabetes Foot Exam Online CME awarded by the Institute for Preventive Foot Health in the amount of \$70,000. A case based online program will be developed that addresses best evidence based practices of conducting the foot exam and methods to prevent the long-term neuropathic associated sequelae-like foot ulcers. The online activities will be made available initially through the Academy's Learning Central. Draft learning objectives for the program include the following. Learning objectives are subject to change.

Bristol-Myers Squibb Company: To support Venous Thromboembolism Prevention: Strategies to Support Successful Surgical Outcomes following Orthopedic Surgeries. This activity will be designed to meet the educational need of the approximately 8,600 physician assistants who practice in orthopedic surgery. The educational activity will be designed to help physician assistants in orthopedics to:

- Understand the pharmacology of anticoagulants
- Implement appropriate thromboprophylaxis

Takeda: To host an educational activity, "Achieving Sustained Remission in Major Depressive Disorder; Patient-Centered Strategies for Improved Outcomes", to further the education of physicians and health care providers, patients and the general public to enhance their ability to care for patients.

Takeda and Novo Nordisk: To host an educational activity, "Understanding HCPs and their Roles In Treating and Managing Adult Obese Patients: A Behavioral Assessment", to further the education of physicians and health care providers, patients and the general public to enhance their ability to care for patients.

The France Foundation: To host an educational activity, "Diabetes: Making the Right Choices in a Sea of Treatment Options", in Hauppauge, New York on May 27, 2015.

Merck: To support two Insomnia print material and web programs.

American Academy of Physician Assistants

Notes to Financial Statements

Note 10. Temporarily Restricted Net Assets (Continued)

Changes in temporarily restricted net assets for the years ended June 30, 2015 and 2014, are as follows:

	Balance June 30, 2014	Additions	Releases	Balance June 30, 2015
Institute for Preventative Foot Health	\$ 76,000	\$ -	\$ (76,000)	\$ -
Bristol-Myers Squibb Company	70,000	-	(70,000)	-
Takeda	-	38,650	-	38,650
Takeda and Novo Nordisk	-	20,860	-	20,860
France Foundation (via AstraZeneca and Sanofi)	-	22,000	-	22,000
Merck	-	35,420	-	35,420
	<u>\$ 146,000</u>	<u>\$ 116,930</u>	<u>\$ (146,000)</u>	<u>\$ 116,930</u>

	Balance June 30, 2013	Additions	Releases	Balance June 30, 2014
AAPA National Priority Initiative in Diabetes	\$ 184,629	\$ -	\$ (184,629)	\$ -
Racial & Cultural Disparities in HIV Care	140,975	-	(140,975)	-
IBS Forest Grant	75,386	-	(75,386)	-
Improving Patient Outcomes in COPD				
Strategies for Diagnosis and Treatment	41,883	-	(41,883)	-
Institute for Preventative Foot Health	-	76,000	-	76,000
Bristol-Myers Squibb Company	-	70,000	-	70,000
	<u>\$ 442,873</u>	<u>\$ 146,000</u>	<u>\$ (442,873)</u>	<u>\$ 146,000</u>

Note 11. Fair Value Measurements

The Fair Value Measurement Topic of the FASB ASC establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. This topic applies to all assets and liabilities that are being measured and reported on a fair value basis. This topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 Quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable market-based inputs or unobservable inputs corroborated by market data.
- Level 3 Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Academy performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Academy at June 30, 2015 and 2014.

American Academy of Physician Assistants

Notes to Financial Statements

Note 11. Fair Value Measurements (Continued)

The tables below present the balance of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy:

	2015			
	Total	Level 1	Level 2	Level 3
Equities				
Consumer discretionary	\$ 1,458,664	\$ 1,458,664	\$ -	\$ -
Information technology	726,511	726,511	-	-
Financials	1,738,701	1,738,701	-	-
Industrials	1,333,492	1,333,492	-	-
Health care	1,096,015	1,096,015	-	-
Consumer staples	343,240	343,240	-	-
Energy	1,725,603	1,725,603	-	-
Materials	151,916	151,916	-	-
Telecommunication services	74,879	74,879	-	-
Utilities	389,788	389,788	-	-
Mutual funds				
Fixed income	2,927,170	2,927,170	-	-
Equities	47,616	47,616	-	-
Other	31,418	31,418	-	-
Exchange-traded funds	4,859,982	4,859,982	-	-
Accelerated return notes	1,821,662	-	1,821,662	-
Money market funds	303,071	303,071	-	-
	19,029,728	17,208,066	1,821,662	-
Deferred compensation plan assets				
Mutual funds:				
Equities				
Moderate allocation	254,219	254,219	-	-
Large value	15,483	15,483	-	-
Large growth	16,855	16,855	-	-
Bond				
Intermediate-term bond	26,925	26,925	-	-
	313,482	313,482	-	-
	\$ 19,343,210	\$ 17,521,548	\$ 1,821,662	\$ -
Deferred compensation liability	\$ 313,482	\$ -	\$ 313,482	\$ -

American Academy of Physician Assistants

Notes to Financial Statements

Note 11. Fair Value Measurements (Continued)

	2014			
	Total	Level 1	Level 2	Level 3
Equities				
Consumer discretionary	\$ 1,352,283	\$ 1,352,283	\$ -	\$ -
Information technology	1,277,181	1,277,181	-	-
Financials	1,272,282	1,272,282	-	-
Industrials	1,244,986	1,244,986	-	-
Health care	1,005,603	1,005,603	-	-
Consumer staples	842,766	842,766	-	-
Energy	678,017	678,017	-	-
Materials	607,668	607,668	-	-
Telecommunication services	234,590	234,590	-	-
Utilities	177,255	177,255	-	-
Mutual funds				
Fixed income	2,811,429	2,811,429	-	-
Equities	90,640	90,640	-	-
Exchange-traded funds	4,794,751	4,794,751	-	-
Accelerated return notes	1,688,535	-	1,688,535	-
Money market funds	473,179	473,179	-	-
	18,551,165	16,862,630	1,688,535	-
Deferred compensation plan assets				
Mutual funds:				
Equities				
Moderate allocation	244,156	244,156	-	-
Large value	10,439	10,439	-	-
Large growth	10,579	10,579	-	-
Bond				
Intermediate-term bond	17,804	17,804	-	-
	282,978	282,978	-	-
	\$ 18,834,143	\$ 17,145,608	\$ 1,688,535	\$ -
Deferred compensation liability	\$ 282,978	\$ -	\$ 282,978	\$ -

American Academy of Physician Assistants

Notes to Financial Statements

Note 11. Fair Value Measurements (Continued)

The equities, money market funds, exchange-traded funds, and mutual funds of the Academy are publicly traded on the New York Stock Exchange and are considered Level 1 items. The accelerated return notes are considered Level 2 items as the values for the assets are other than quoted prices from active markets within Level 1, but are observable for the assets, either directly or indirectly.

Deferred compensation liability is based on the fair market value of the deferred compensation plan assets, which are observable inputs, but the liability is not publicly traded, and is hence classified as Level 2.