American Academy of Physician Assistants

Financial Report
June 30, 2014

Contents

McGladrey

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 the American Academy of Physician Assistants (the Academy) which comprise the statements of financial position as of June 30, 2014 and 2013, 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 the American Academy of Physician Assistants as of June 30, 2014 and 2013, 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.

McGladrey LLP

McLean, Virginia
November 13, 2014

American Academy of Physician Assistants

Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	**$ 622,587**	$ 1,805,641
Receivables	**1,095,049**	775,860
Due from Affiliate	**60,514**	111,408
Prepaid expenses	**369,754**	390,013
Total current assets	**2,147,904**	3,082,922
Investments	**18,551,165**	12,828,954
Deferred Compensation Investments	**282,978**	239,731
Land and Building – Held For Sale, Net	**-**	4,765,949
Property and Equipment, Net	**2,871,501**	2,545,620
	21,705,644	20,380,254
	$ 23,853,548	$ 23,463,176
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	**$ 2,723,953**	$ 3,089,644
Line of credit	**500,000**	180,777
Current portion of capital lease	**134,645**	-
Current portion of deferred rent	**123,734**	123,734
Deferred revenue	**7,028,900**	6,206,241
Total current liabilities	**10,511,232**	9,600,396
Long-Term Liabilities		
Capital lease, net of current portion	**201,404**	-
Deferred rent, net of current portion	**3,021,664**	3,034,463
Deferred compensation payable	**282,978**	239,731
Security deposit	**12,798**	12,798
	3,518,844	3,286,992
	14,030,076	12,887,388
Commitments (Notes 9 and 10)		
Net Assets		
Unrestricted	**9,677,472**	10,132,915
Temporarily restricted	**146,000**	442,873
	9,823,472	10,575,788
	$ 23,853,548	$ 23,463,176

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 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

Statement of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Dues	$ 9,084,485	$ -	$ 9,084,485
Registration fees	2,661,434	-	2,661,434
Royalties	3,198,420	-	3,198,420
Grants	1,147,968	1,146,434	2,294,402
Fee for service	1,016,552	-	1,016,552
Exhibit fees	741,109	-	741,109
Sponsorships	308,150	-	308,150
Product sales	1,134,023	-	1,134,023
Advertising revenue	101,252	-	101,252
Sublease revenue	131,383	-	131,383
Miscellaneous revenue	51,291	-	51,291
Net assets released from restrictions	887,773	(887,773)	-
Total revenue and support	20,463,840	258,661	20,722,501
Expenses			
Program services:			
Annual conference and meeting services	3,022,828	-	3,022,828
Education	3,098,638	-	3,098,638
Advocacy and government relations professional development	3,033,047	-	3,033,047
Marketing and communications	2,641,419	-	2,641,419
Governance and leadership development	799,258	-	799,258
Membership	1,787,752	-	1,787,752
Strategic business development	255,365	-	255,365
	14,638,307	-	14,638,307
Supporting services:			
Finance, human resources and administrative services	4,263,476	-	4,263,476
Executive department	1,101,196	-	1,101,196
Technology services	1,381,302	-	1,381,302
Membership recruiting	141,764	-	141,764
Contract support	239,627	-	239,627
	7,127,365	-	7,127,365
Total expenses	21,765,672	-	21,765,672
Change in net assets before other changes	(1,301,832)	258,661	(1,043,171)
Investment Income	1,017,291	-	1,017,291
Change in net assets	(284,541)	258,661	(25,880)
Net Assets			
Beginning	10,417,456	184,212	10,601,668
Ending	$ 10,132,915	$ 442,873	$ 10,575,788

See Notes to Financial Statements.

American Academy of Physician Assistants

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	$ (752,316)	$ (25,880)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	503,962	489,332
Deferred rent	(12,799)	19,042
Realized and unrealized gain on investments	(1,359,024)	(700,635)
Loss on disposal of land and building	558,005	318,099
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(319,189)	(455,447)
Prepaid expenses	20,259	189,701
Due from Affiliate	50,894	7,999
Increase (decrease) in:		
Accounts payable and accrued expenses	(365,691)	(68,223)
Deferred revenue	822,659	194,613
Security deposit	-	12,798
Net cash used in operating activities	(853,240)	(18,601)
Cash Flows From Investing Activities		
Purchases of investments	(15,228,345)	(4,212,963)
Proceeds from sales of investments	10,865,158	4,006,627
Proceeds from sale of land and building	4,207,944	-
Purchases of equipment	(365,064)	(102,116)
Net cash used in investing activities	(520,307)	(308,452)
Cash Flows From Financing Activities		
Net proceeds from line of credit	319,223	180,777
Principal payments on notes payable	-	(310,628)
Principal payments on capital lease obligation	(128,730)	(573,651)
Net cash provided by (used in) financing activities	190,493	(703,502)
Net decrease in cash and cash equivalents	(1,183,054)	(1,030,555)
Cash and Cash Equivalents		
Beginning	1,805,641	2,836,196
Ending	$ 622,587	$ 1,805,641
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 51,213	$ 99,277
Supplemental Schedules of Non-Cash Investing and Financing Activities		
Increase (decrease) in value of deferred compensation payable	$ 40,001	$ (6,457)
Equipment acquired under capital lease	$ 464,779	$ -

See 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.

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.

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.

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

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 Non-Profit Entities Topic of the FASB ASC, *Financial Statements of Not-for-Profit Organizations*, 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, 2014 and 2013.

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 equity securities, mutual funds, exchange traded funds, and fixed income 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.

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, 2014 and 2013.

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, and 40 years for the building. Leasehold improvements 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.

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

Valuation of long-lived assets: The Academy accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the Codification Topic *Property, Plant and Equipment* that address *Impairment or Disposal of Long-Lived Assets.* The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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, 2014, 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 2011.

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.

Reclassifications: Certain items in the June 30, 2013, financial statements have been reclassified to comply with the current year presentation. These reclassifications had no effect on previously reported net assets or change in net assets.

Subsequent events: The Academy evaluated subsequent events through November 13, 2014, which is the date the financial statements were available to be issued.

Note 2. Investments

Investments consist of the following at June 30, 2014 and 2013:

	2014	2013
Equities	$ 8,692,631	$ 5,005,810
Exchange traded funds	4,794,751	-
Mutual funds:		
Fixed income funds	2,811,429	4,984,149
Equity funds	90,640	-
Accelerated return notes	1,688,535	1,493,920
Money market funds	473,179	273,458
Fixed income	-	1,071,617
	$ 18,551,165	$ 12,828,954

Investment income consists of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Net realized and unrealized gain	$ 1,359,024	$ 700,635
Investment and dividend income	293,472	316,656
	$ 1,652,496	$ 1,017,291

Note 3. Property and Equipment

Property and equipment consists of the following at June 30, 2014 and 2013:

	2014	2013
Leasehold improvements	$ 1,862,759	$ 1,862,759
Computer equipment	1,815,335	1,487,847
Furniture and equipment	1,560,079	1,560,079
Capital leases	464,779	-
Office equipment	414,618	414,617
Software applications in progress	120,347	-
Website in progress	-	82,772
Building	-	6,048,486
Land	-	1,229,109
	6,237,917	12,685,669
Less accumulated depreciation and amortization	(3,366,416)	(5,374,100)
	$ 2,871,501	$ 7,311,569

Depreciation expense for the years ended June 30, 2014 and 2013, was $503,962 and $489,332, 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.

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.

Future minimum lease payments under the lease are as follows:

Year Ending June 30,		
2015	$	147,013
2016		147,013
2017		61,256
		355,282
Less amount representing interest		19,233
Present value of minimum lease payments	$	336,049
Current portion of capital leases	$	134,645
Long-term portion of capital leases		201,404
	$	336,049

Note 5. Line of Credit

During the year ended June 30, 2013, the Academy entered into a $5,000,000 line of credit with the bank with a maturity date of February 21, 2015. 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 outstanding balance at June 30, 2014 and 2013, was $500,000 and $180,777, respectively.

Note 6. Deferred Compensation

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, 2014 and 2013, were $3,246 and $31,254, respectively. The deferred compensation is adjusted annually to represent the fair market value of the investments in the plan. At June 30, 2014 and 2013, the fair market value of the investments was $282,978 and $239,731, respectively.

Note 7. 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, 2014 and 2013, were $329,594 and $373,935, respectively. For the years ended June 30, 2014 and 2013, the amount recorded in the Academy's financial statements as administrative fees was $80,000 in each year. At June 30, 2014 and 2013, amounts due to the Academy from the Foundation were $60,514 and $111,408, 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.

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 $89,624 and $69,342 at June 30, 2014 and 2013, respectively. The Academy provides office space, use of equipment, supplies and administrative services to PAC.

Note 8. Retirement Plan

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 $209,028 and $204,355 for the year ended June 30, 2014 and 2013, respectively.

Note 9. 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 realized $500,000 in royalties under this agreement for the year ended June 30, 2013, in the form of a signing bonus.

The Academy has entered into contracts to facilitate annual conferences through 2018. 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.

Note 10. 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, 2014 and 2013, was $1,176,903 in each year.

The Academy has a $475,900 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, 2014 and 2013, the landlord has not drawn on the letter of credit.

Future minimum payments under this agreement are as follows:

Year Ending June 30,	
2015	$ 1,222,423
2016	1,256,040
2017	1,290,581
2018	1,326,072
2019	1,362,539
Thereafter	11,481,571
	$ 17,939,226

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, 2014 and 2013, was $157,403 and $131,383, respectively.

Future rental income at June 30, 2014, is as follows:

Year Ending June 30,	
2015	$ 161,730
2016	40,729
	$ 202,459

Note 11. 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, 2014 and 2013, consist of the following:

AAPA National Priority Initiative in Diabetes – Sanofi – From Sanofi-Aventis – Purpose: To launch and sustain a national quality improvement initiative in diabetes, including a clinical case challenge series of CME lectures, several online CME modules, a diabetes registry for PAs, as well as a pilot PI-CME capstone.

Racial and Cultural Disparities in HIV Care: Interventions for Improvement – From VIIV and Janssen – Purpose: To provide a CME lecture on HIV disparities at several state conferences as well as online case based activities.

IBS-Forest Grant-From Forest Lab – Purpose: To provide a clinical case challenge series of CME lectures as well as an online Clinical Dialogue and e-Case Challenge on diagnosing and treating IBS.

Improving Patient Outcomes in COPD: Strategies for Diagnosis and Treatment – From AstraZeneca, BI and Novartis – Purpose: To provide an online Clinical Dialogue, e-Case Challenge activity, and JAAPA CME supplement on Diagnosis and treatment of COPD.

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

Chapter Clinical Case Challenge Series: Program to provide CME lecture sessions to constituent organizations.

Core Competencies Integration: Grant to identify the "core competencies" – knowledge, skills and abilities essential for physician assistant practice through a structured and qualitative content analysis of learning objectives of a representative sample of PA programs.

Fundraising Network: Funds provided to sponsor the Academy to attend the semi-annual Medical Society Fundraising Network meetings.

Lippincott Book Grant: Lippincott Williams & Wilkens provided the funds for this grant. The grant is to cover the cost of publication of a book.

Note 11. Temporarily Restricted Net Assets (Continued)

Changes in temporarily restricted net assets for the years ended June 30, 2014 and 2013, are as follows:

	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
	$ 442,873	$ 146,000	$ (442,873)	$ 146,000

	Balance June 30, 2012	Additions	Releases	Balance June 30, 2013
AAPA National Priority Initiative in Diabetes	$ -	$ 605,180	$ (420,551)	$ 184,629
Racial & Cultural Disparities in HIV Care	-	282,194	(141,219)	140,975
IBS Forest Grant	-	135,800	(60,414)	75,386
Improving Patient Outcomes in COPD:				
Strategies for Diagnosis and Treatment	-	123,260	(81,377)	41,883
Chapter clinical case challenge series	63,748	-	(63,748)	-
Core competencies integration	64,296	-	(64,296)	-
Fundraising network	40,668	-	(40,668)	-
Lippincott book grant	15,500	-	(15,500)	-
	$ 184,212	$ 1,146,434	$ (887,773)	$ 442,873

Note 12. 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, 2014 and 2013.

Note 12. 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:

	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	$ -

Note 12. Fair Value Measurements (Continued)

	2013			
	Total	Level 1	Level 2	Level 3
Equities:				
Financials	$ 718,978	$ 718,978	$ -	$ -
Industrials	710,459	710,459	-	-
Consumer discretionary	695,726	695,726	-	-
Information technology	692,775	692,775	-	-
Health care	629,216	629,216	-	-
Consumer staples	622,077	622,077	-	-
Energy	348,647	348,647	-	-
Materials	335,111	335,111	-	-
Telecommunication services	198,203	198,203	-	-
Utilities	54,618	54,618	-	-
Fixed income:				
Intermediate-term bond	736,982	736,982	-	-
Short-term bond	334,625	334,625	-	-
Accelerated return notes	1,493,930	-	1,493,930	-
Money market funds	273,458	273,458	-	-
Mutual funds:				
Fixed Income	4,984,149	4,984,149	-	-
	12,828,954	11,335,024	1,493,930	-
Deferred compensation plan assets				
Mutual funds:				
Equities:				
Moderate allocation	208,966	208,966	-	-
Large value	7,701	7,701	-	-
Large growth	7,695	7,695	-	-
Bond:				
Intermediate-term bond	15,369	15,369	-	-
	239,731	239,731	-	-
	$ 13,068,685	$ 11,574,755	$ 1,493,930	$ -
Deferred compensation liability	$ 239,731	$ -	$ 239,731	$ -

Note 12. 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 Academy's corporate bonds are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are therefore considered Level 2 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.