

American Academy of Physician Associates, Inc. and Affiliate

Consolidated Financial Report
December 31, 2021

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RSM US LLP

Independent Auditor's Report

Board of Directors
American Academy of Physician Associates, Inc.

Opinion

We have audited the consolidated financial statements of American Academy of Physician Associates, Inc. and Affiliate (collectively, the Organization), formerly the American Academy of Physician Assistants, Inc., which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Washington, D.C.
May 9, 2022

American Academy of Physician Associates, Inc. and Affiliate

**Consolidated Statement of Financial Position
December 31, 2021**

Assets

Cash and cash equivalents	\$ 4,870,996
Investments	29,458,360
Accounts receivable	1,014,988
Prepaid expenses	897,111
Deferred compensation investments	58,146
Property and equipment, net	<u>1,208,782</u>
Total assets	<u><u>\$ 37,508,383</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 2,155,808
Paycheck Protection Plan loan	1,999,900
Deferred revenue	9,062,965
Deferred compensation obligation	58,146
Deferred rent	<u>2,200,733</u>
Total liabilities	<u>15,477,552</u>

Commitment and contingency (Notes 7 and 9)

Net assets:

Without donor restrictions	21,749,904
With donor restrictions	<u>280,927</u>
Total net assets	<u>22,030,831</u>

Total liabilities and net assets **\$ 37,508,383**

See notes to consolidated financial statements.

American Academy of Physician Associates, Inc. and Affiliate

**Consolidated Statement of Activities
Year Ended December 31, 2021**

Activities without donor restrictions:	
Revenue and support:	
Dues	\$ 12,471,574
Registration and exhibit fees	6,508,259
Royalties	2,763,902
Grants	2,118,531
Product theatre and product sales	244,820
Continuing education	561,454
Interest and dividends, net of investment fees	107,804
Sponsorships	932,550
Advertising	29,316
Other activities	3,027
Management fees	97,616
Net assets released from restrictions	105,496
Total revenue and support without donor restrictions	25,944,349
Expenses:	
Personnel expenses	13,049,779
Professional fees	6,125,131
Meeting and conferences	546,692
Occupancy	1,317,661
Other activities	1,197,481
Awards and contributions	431,083
Travel	87,871
Postage and subscriptions	576,158
Supplies	150,425
Communication	123,120
Insurance	79,914
Interest	47,704
Total expenses	23,733,019
Change in net assets without donor restrictions before other activity	2,211,330
Realized and unrealized gains on investments	2,682,159
Insurance refund from cancellation of 2020 annual meeting	2,847,926
Employee Retention Credit grant	320,744
Change in net assets without donor restrictions	8,062,159
Activities with donor restrictions:	
Contributions	180,125
Net assets released from donor restrictions	(105,496)
Change in net assets with donor restrictions	74,629
Change in net assets	8,136,788
Net assets:	
Beginning	13,894,043
Ending	<u>\$ 22,030,831</u>

See notes to consolidated financial statements.

American Academy of Physician Associates, Inc. and Affiliate

**Consolidated Statement of Cash Flows
Year Ended December 31, 2021**

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Cash flows from operating activities:	
Change in net assets	\$ 8,136,788
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	694,020
Realized and unrealized gains on investments	(2,682,159)
Deferred rent	(13,674)
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(539,960)
Prepaid expenses	(203,890)
Increase (decrease) in:	
Accounts payable and accrued expenses	969,721
Deferred revenue	569,255
Net cash provided by operating activities	<u>6,930,101</u>
Cash flows from investing activities:	
Purchases of investments	(7,560,091)
Proceeds from sale of investments	7,452,287
Purchases of property and equipment	(26,880)
Net cash used in investing activities	<u>(134,684)</u>
Cash flows from financing activities:	
Proceeds from Paycheck Protection Plan loan	1,999,900
Payments on line of credit	(5,500,000)
Net cash used in financing activities	<u>(3,500,100)</u>
Net increase in cash and cash equivalents	3,295,317
Cash and cash equivalents:	
Beginning	<u>1,575,679</u>
Ending	<u>\$ 4,870,996</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 47,704</u>

See notes to consolidated financial statements.

American Academy of Physician Associates, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

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

Effective June 1, 2021, the Academy changed its name to the American Academy of Physician Associates, Inc.

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

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

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

Basis of presentation: The consolidated financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

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

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

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

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

American Academy of Physician Associates, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

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

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 as revenue when received. There was no provision for doubtful accounts at December 31, 2021.

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

The Academy accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic 360, Property, Plant and Equipment that address Impairment or Disposal of Long-Lived Assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less costs to sell. As of December 31, 2021, there were no long-lived assets that were impaired.

Deferred rent: The Academy recognizes the minimum rent required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as deferred rent in the financial statements. Deferred rent also includes the unamortized balance of the landlord provided tenant improvement allowance.

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

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

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

American Academy of Physician Associates, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

The Academy's annual meeting, which was scheduled to be held in May 2020, was canceled. The Association filed a meeting cancellation claim with its insurance carrier during 2020, and received \$2,847,926 in 2021.

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

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

The Academy has determined that revenue received from private grants is considered to be conditional contributions and are recorded as deferred revenue because the agreements stipulate both a right of return of funds in the event of non-performance in addition to specific outcomes, and measurable barriers, that the Academy must achieve specifically through its scientific and educational activities. These activities further the education of physicians and health care providers, patients and the general public to enhance their ability to care for patients and is recognized as costs are incurred. At December 31, 2021, the Academy has received approximately \$330,733 in funding for specific scientific and educational activities which is yet to be recognized.

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

Upcoming accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition method is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Academy is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

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

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

American Academy of Physician Associates, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

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

Subsequent events: Subsequent events have been evaluated through May 9, 2022, which is the date the consolidated financial statements were available to be issued.

Note 2. Investments

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

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

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

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

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

American Academy of Physician Associates, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 2. Investments (Continued)

Investments are measured at fair value at December 31, 2021, using the following input levels:

	Total	Fair Value		
		Level 1	Level 2	Level 3
Investments:				
Mutual funds—domestic fixed income	\$ 11,957,260	\$ 11,957,260	\$ -	\$ -
Equities	11,485,955	11,485,955	-	-
Funds—equities (accelerated return notes)	2,864,819	-	2,864,819	-
Mutual funds—domestic equities	2,604,812	2,604,812	-	-
Money market funds	545,514	545,514	-	-
Total investments	<u>\$ 29,458,360</u>	<u>\$ 26,593,541</u>	<u>\$ 2,864,819</u>	<u>\$ -</u>
Investments held for deferred compensation:				
Mutual funds—fixed income	\$ 37,351	\$ 37,351	\$ -	\$ -
Mutual funds—equities	20,795	20,795	-	-
Total investments held for deferred compensation	<u>\$ 58,146</u>	<u>\$ 58,146</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation liability	<u>\$ 58,146</u>	<u>\$ -</u>	<u>\$ 58,146</u>	<u>\$ -</u>

Investment fees totaled \$234,819 for the year ended December 31, 2021, and have been netted against interest and dividend revenue in the accompanying consolidated statement of activities.

Note 3. Liquidity and Availability of Funds

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

The following represents the Organization's financial assets as of December 31, 2021, reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions:

Financial assets:	
Cash and cash equivalents	\$ 4,870,996
Investments	29,458,360
Accounts receivable	1,014,988
	<u>35,344,344</u>
Less amounts unavailable for general expenditures:	
Investments held as collateral	(7,784,104)
Net assets with donor restrictions	(280,927)
Total financial assets available within one year	<u>\$ 27,279,313</u>

American Academy of Physician Associates, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment at December 31, 2021, consists of the following:

Computer software and equipment	\$ 4,982,018
Furniture and equipment	2,577,659
Leasehold improvements	1,907,880
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	9,467,557
Less accumulated depreciation and amortization	(8,258,775)
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	<u>\$ 1,208,782</u>

Note 5. Related-Party Transactions With the Foundation

The Academy provides services and other support to the Physician Assistant Foundation of the American Academy of Physician Assistants (the Foundation), a related, non-controlled entity. These expenses include salaries and related benefits of AAPA employees devoting time and effort working for the Foundation, allocable rent, utilities, office equipment and other general administrative expenses, such as financial accounting and reporting. During 2020, the Academy and the Foundation discontinued charging the Foundation \$80,000 for such services. Instead, the services and other support are recorded as donated services to the Foundation. The Academy donated approximately \$198,000 in services to the Foundation during the year ended December 31, 2021. At December 31, 2021, the Academy owed the Foundation \$11,040, which is included in the accounts receivable on the consolidated statement of financial position.

Note 6. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions for the year ended December 31, 2021, are as follows:

	Balance December 31, 2020		Additions	Releases	Balance December 31, 2021	
Educational activities	\$ 12,000	\$ -	\$ (12,000)	\$ -	\$ -	\$ -
AAPA PAC	194,298	180,125	(93,496)	280,927	280,927	280,927
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 206,298	\$ 180,125	\$ (105,496)	\$ 280,927	\$ 280,927	\$ 280,927

Note 7. Commitments and Contingency

Office lease: The Academy has a lease agreement for its office space that expires in December 2030. The terms of the office lease agreement provide an abatement of rent during the lease agreement and include an escalation clause that adjusts annual base rentals. In addition, the terms of the office lease provide a tenant build-out allowance as an incentive to lease the office space. U.S. GAAP requires that certain costs of the build-out be capitalized and depreciated as property and equipment. U.S. GAAP also requires that the build-out allowance, along with the rent abatement and scheduled rent increases resulting from the escalation of base rentals, be recorded as a liability and amortized ratably so as to record rent expense on a straight-line basis over the term of the office lease agreement. The Academy has an adjustable letter-of-credit with a bank in lieu of a security deposit. For the year ended December 31, 2021, the letter-of-credit amounted to \$95,180. The letter-of-credit does not expire.

American Academy of Physician Associates, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 7. Commitments and Contingency (Continued)

Rent expense totaled \$1,214,830 for the year ended December 31, 2021. Future minimum lease payments related to the office lease agreement are as follows:

Years ending December 31:	
2022	\$ 1,257,611
2023	1,292,195
2024	1,327,731
2025	1,345,987
2026	1,364,243
Thereafter	6,925,997
	<u>\$ 13,513,764</u>

Deferred rent: As described in the previous sections of this note, the liability for deferred rent consisted of the following components at December 31, 2021:

Office lease:	
Deferred rent	\$ 1,664,553
Build-out incentive	536,180
	<u>\$ 2,200,733</u>

Line-of-credit: The Academy maintains a \$10,000,000 line-of-credit collateralized by its personal property and investments. The Academy makes monthly payments equal to the one-month interest based upon a variable interest rate. The line-of-credit matures October 30, 2022. There was \$0 outstanding on the line-of-credit at December 31, 2021. The approximate interest rate was 2.63% at December 31, 2021.

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

Note 8. Pension Plans

Retirement plan: The Academy has a defined contribution plan under Section 401(k) of the IRC, covering substantially all employees who have met certain eligibility requirements as defined in the plan document. Under the plan, employees may defer a maximum of 90% of their annual compensation to the plan each year, not to exceed IRC limits. Employees may also elect for a portion of their deferral to be a Roth deferral. The Academy provides a matching contribution limited to 4% of an employee's contribution; and at times, a discretionary contribution. Employer contributions paid under this plan totaled \$350,080 for the year ended December 31, 2021.

Deferred compensation plan: The Academy maintains a deferred compensation plan under Section 457(b) of the IRC. Contributions by the Academy to the plan for the year ended December 31, 2021, was \$19,500. The deferred compensation obligation is adjusted annually to the fair market value of the investments in the plan and is presented as Level 2 within the audited consolidated financial statements. At December 31, 2021, the fair market value of the investments was \$58,146.

American Academy of Physician Associates, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 9. COVID-19

The continued global pandemic in 2021 has created substantial volatility in financial markets and the economy, including the geographic areas in which the Academy operates. While the Academy has mitigated the financial impact to its business, it is unknown how long these conditions will last. Accordingly, there could be negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

Note 10. Paycheck Protection Plan (PPP) Loan

During April 2021, the Academy applied for a federal PPP loan under the second draw of funding. The application was approved and a loan of \$1,999,900 was subsequently received. The Academy has elected to account for the loan as a financial liability until the time at which forgiveness is received. The Academy believes that most, if not all, of the loan will be eligible for forgiveness.

The Academy was notified in March 2022 that the loan and accrued interest has been forgiven in full.

Note 11. Functional Expenses

Program services: The Organization operates the following major programs:

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

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

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

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

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

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

American Academy of Physician Associates, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 11. Functional Expenses (Continued)

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

Supporting services: Supporting services include the functions necessary to provide support to the Organization's program activities and include activities such as executive leadership, business management, financial recordkeeping, and human resources.

American Academy of Physician Assistants, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 11. Functional Expenses (Continued)

Expenses by function consisted of the following the year ended December 31, 2021:

	Program Services							Support Services							Total
	Marketing and Communications	Education and Quality	Advocacy and Government Relations	Annual Conference and Meeting Services	Governance and Leadership Development	Membership	Research and Statistics	Total Program Services	Finance, Human Resources and Administrative Services	Technology Services	Executive Department	Strategic Business Development	Total Support Services		
Personnel expenses	\$ 3,039,979	\$ 1,485,445	\$ 3,021,019	\$ 554,766	\$ 692,869	\$ 785,206	\$ 347,232	\$ 9,926,516	\$ 1,047,190	\$ 1,224,336	\$ 605,829	\$ 245,908	\$ 3,123,263	\$ 13,049,779	
Professional fees	1,481,954	1,601,000	425,025	247,730	171,195	197,960	45,480	4,170,344	572,350	1,078,090	155,812	148,535	1,954,787	6,125,131	
Meeting and conferences	371	166,899	4,190	366,491	5,170	856	1,290	545,267	(582)	794	918	295	1,425	546,692	
Occupancy	262,023	148,876	226,292	47,640	65,506	95,281	35,730	881,348	210,022	178,651	47,640	-	436,313	1,317,661	
Other activities	116,318	128,042	106,728	78,381	25,385	30,350	12,553	497,757	585,254	77,769	24,016	12,685	699,724	1,197,481	
Awards and contributions	28,309	132,535	93,943	89,309	2,738	11,725	38,850	397,409	16,799	-	16,375	500	33,674	431,083	
Travel	30,239	25,746	13,216	4,225	2,825	282	160	76,693	9,712	227	-	1,239	11,178	87,871	
Postage and subscriptions	39,841	386,884	104,865	2,644	7,699	3,957	424	546,314	11,523	427	16,460	1,434	29,844	576,158	
Supplies	95	6,480	3,059	1,047	491	58,199	59	69,430	717	80,278	-	-	80,995	150,425	
Communication	47	-	-	-	-	-	-	47	31	123,042	-	-	123,073	123,120	
Insurance	-	-	-	-	-	-	-	-	79,914	-	-	-	79,914	79,914	
Interest	-	-	-	-	-	-	-	-	47,704	-	-	-	47,704	47,704	
Allocation	709,986	346,434	705,558	129,565	161,819	183,385	81,096	2,317,843	244,571	(2,763,614)	143,768	57,432	(2,317,843)	-	
Total expenses	\$ 5,709,162	\$ 4,428,341	\$ 4,703,895	\$ 1,521,798	\$ 1,135,697	\$ 1,367,201	\$ 562,874	\$ 19,428,968	\$ 2,825,205	\$ -	\$ 1,010,818	\$ 468,028	\$ 4,304,051	\$ 23,733,019	