AMERICAN OSTEOPATHIC FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020

TABLE OF CONTENTS

Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
American Osteopathic Foundation
Chicago, Illinois

We have audited the accompanying financial statements of AMERICAN OSTEOPATHIC FOUNDATION (a not-for-profit corporation) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses 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 Foundation'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 Foundation'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 OSTEOPATHIC FOUNDATION as of December 31, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, AMERICAN OSTEOPATHIC FOUNDATION adopted the Accounting Standards Update (ASU) No. 2014-09 *(Topic 606)*: *Revenue from Contracts with Customers* as required by accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Warady & Davis LLP

April 15, 2021

STATEMENTS OF FINANCIAL POSITION

As of December 31	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 430,702	$ 299,215
Investments, at Fair Value	16,595,062	15,453,270
Contributions Receivable	55,400	6,250
Other Receivables	1,689	10,960
Prepaid Expenses	34,959	24,062
Total Current Assets	17,117,812	15,793,757
NONCURRENT ASSETS		
Property and Equipment, net	7,576	4,780
	$ 17,125,388	$ 15,798,537
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Paycheck Protection Program Loan	$ 107,771	$ —
Accounts Payable	13,669	7,201
Grants Payable	46,050	12,674
Accrued Expenses	50,403	78,196
Due to American Osteopathic Association (AOA)	115,226	30,515
Deferred Rent	1,293	66
Total Current Liabilities	334,412	128,652
LONG-TERM LIABILITIES		
Economic Injury Disaster Loan	150,000	—
Deferred Rent	7,281	8,574
Total Long-Term Liabilities	157,281	8,574
Total Liabilities	491,693	137,226
NET ASSETS		
Without Donor Restrictions	1,449,279	1,413,394
Without Donor Restrictions - Board-Designated	11,135,648	10,589,871
With Donor Restrictions - Time and Purpose	3,533,118	3,152,396
With Donor Restrictions - In Perpetuity	515,650	505,650
Total Net Assets	16,633,695	15,661,311
	$ 17,125,388	$ 15,798,537

See accompanying notes.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31	**2020**				2019			
		With Donor Restrictions				With Donor Restrictions		
	Without Donor Restrictions	**Time and Purpose Restrictions**	**Perpetuity**	**Total**	Without Donor Restrictions	Time and Purpose Restrictions	In Perpetuity	Total
REVENUE								
Support Revenue								
Contributions	**$ 474,176**	**$ 86,166**	**$ 10,000**	**$ 570,342**	$ 605,244	$ 313,243	$	$ 918,487
Special Event Revenue	**318,729**	**58,280**		**377,009**	463,955	1,116,500		1,580,455
Total Operating Revenues	**792,905**	**144,446**	**10,000**	**947,351**	1,069,199	1,429,743		2,498,942
Other Revenues and Gains								
Investment Income, net of Fees	**1,075,389**	**394,403**		**1,469,792**	1,918,679	415,644		2,334,323
Other Revenue	**119,130**			**119,130**	2,804			2,804
Total Other Revenue and Gains	**1,194,519**	**394,403**		**1,588,922**	1,921,483	415,644		2,337,127
Total Support, Other Revenue and Gains	**1,987,424**	**538,849**	**10,000**	**2,536,273**	2,990,682	1,845,387		4,836,069
NET ASSETS RELEASED FROM RESTRICTION								
Satisfaction of Restrictions	**158,127**	**(158,127)**		**—**	408,197	(408,197)		—
EXPENSES								
Program Services	**752,407**			**752,407**	683,683			683,683
Management and General	**432,588**			**432,588**	451,401			451,401
Fundraising								
Direct Expenses for Special Event	**31,962**			**31,962**	162,847			162,847
Other Fundraising	**346,932**			**346,932**	349,513			349,513
Total Expenses	**1,563,889**			**1,563,889**	1,647,444			1,647,444
CHANGE IN NET ASSETS	**581,662**	**380,722**	**10,000**	**972,384**	1,751,435	1,437,190		3,188,625
Net Assets, Beginning of Year	**12,003,265**	**3,152,396**	**505,650**	**15,661,311**	10,251,830	1,715,206	505,650	12,472,686
NET ASSETS, ENDING	**$ 12,584,927**	**$ 3,533,118**	**$ 515,650**	**$ 16,633,695**	$ 12,003,265	$ 3,152,396	$ 505,650	$ 15,661,311

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Direct Expenses for Special Event	Total
Salaries	$ 264,612	$ 262,614	$ 176,174	$	$ 703,400
Payroll Taxes	16,338	16,135	11,841		44,314
Benefits	41,898	31,187	19,782		92,867
Bank, Credit Card and Processing Fees		882	18,614		19,496
Depreciation		2,854			2,854
Filing Fees		11,343			11,343
Grants, Scholarships and Awards	353,516				353,516
Information Technology and Website	33,019	14,425	36,302	682	84,428
Insurance	1,020	819	715		2,554
Interest		1,454			1,454
Donor Recruitment, Cultivation and Promotion			9,350		9,350
Occupancy	15,669	30,931	21,231		67,831
Office Expenses	1,270	4,822	27,100	2,442	35,634
Professional Services	15,756	31,938	18,199	28,838	94,731
Temporary Labor	5,326	4,278	3,736		13,340
Travel and Meetings	3,983	18,906	3,888		26,777
	$ 752,407	$ 432,588	$ 346,932	$ 31,962	$ 1,563,889

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2019

		Supporting Services			
	Program Services	Management and General	Fundraising	Direct Expenses for Special Event	Total
Salaries	$ 216,394	$ 227,518	$ 148,106	$	$ 592,018
Payroll Taxes	13,439	14,057	9,965		37,461
Benefits	38,124	28,293	13,514		79,931
Bank, Credit Card and Processing Fees		5,805	20,772		26,577
Depreciation		957			957
Special Event Food				99,936	99,936
Special Event Entertainment				8,800	8,800
Filing Fees		9,351			9,351
Equipment Rentals				33,896	33,896
Grants, Scholarships and Awards	335,506				335,506
Information Technology and Website	30,986	20,944	18,851		70,781
Insurance	2,708	2,369	1,711		6,788
Donor Recruitment, Cultivation and Promotion			63,444		63,444
Occupancy	20,808	36,197	15,244		72,249
Office Expenses	1,770	10,940	20,631		33,341
Professional Services	13,325	38,033	25,768		77,126
Temporary Labor	5,059	4,425	3,195		12,679
Travel and Meetings	5,564	50,082	8,312		63,958
Miscellaneous Expenses		2,430		20,215	22,645
	$ 683,683	$ 451,401	$ 349,513	$ 162,847	$ 1,647,444

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	**$ 972,384**	$ 3,188,625
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	**2,854**	957
Net Realized and Unrealized Gains on Investments	**(1,189,784)**	(1,992,112)
Changes in Assets and Liabilities:		
(Increase) Decrease in Contributions	**(49,150)**	5,750
(Increase) Decrease in Other Receivables	**9,271**	(10,960)
Increase in Prepaid Expenses	**(10,897)**	(5,054)
Increase (Decrease) in Accounts Payable	**6,468**	(10,536)
Increase in Grants Payable	**33,376**	12,674
Decrease in Accrued Expenses	**(27,793)**	(1,374)
Increase (Decrease) in Due to American Osteopathic Association (AOA)	**84,711**	(18,089)
Increase (Decrease) in Deferred Rent	**(66)**	8,574
Total Adjustments	**(1,141,010)**	(2,010,170)
Net Cash Provided (Used) by Operating Activities	**(168,626)**	1,178,455
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	**(5,650)**	(5,737)
Purchases of Investments	**(10,734,983)**	(1,413,030)
Proceeds from Sales of Investments	**11,130,477**	437,597
Reinvested Dividends and Interest	**(347,502)**	(368,658)
Net Cash Provided (Used) by Investing Activities	**42,342**	(1,349,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	**107,771**	—
Proceeds from Economic Injury Disaster Loan	**150,000**	—
Net Cash Provided by Financing Activities	**257,771**	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**131,487**	(171,373)
Cash and Cash Equivalents, Beginning	**299,215**	470,588
CASH AND CASH EQUIVALENTS, ENDING	**$ 430,702**	$ 299,215

See accompanying notes.

NATURE OF ORGANIZATION

The mission of the American Osteopathic Foundation (the Foundation) is to support philanthropic activities that promote and enhance the osteopathic profession. Contributions to the Foundation benefit thousands of osteopathic medical professionals through grants, scholarships, and awards to students, physicians, researchers, and osteopathic programs.

The purposes for which the Foundation is organized are to create, endow, and bestow scholarships, grants and awards to support people, programs and services that promote osteopathic medicine in the areas of education, community service, international humanitarian outreach, osteopathic recognition awards, and research. The Foundation will devote the property, real or personal, tangible or intangible, which it may receive either by gift, bequest, device, or as it may otherwise acquire to exclusively charitable, educational, scientific, literary, and research purposes; and do all things necessary to accomplish said general and specific purposes. No part of the earnings of the Foundation shall inure to the benefit of any member or individual, nor shall the Foundation engage in, nor any of its funds or property be used for, lobbying or otherwise attempting to influence legislation.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations and have been consistently applied in the preparation of the financial statements.

BASIS OF PRESENTATION

Financial statement preparation follows the requirements of the Financial Accounting Standards Board (FASB) Codification for "Financial Statements of Not-for-Profit Organizations". Under the standards, the Organization is required to report information regarding its financial position and activities into two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Net assets without donor restrictions may be designated primarily for awards and scholarships by action of the Board of Directors.

With donor restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the organization (purpose restrictions) and/or the passage of time (time restrictions). As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying financial statements as net assets released from restrictions. In addition, certain net assets are stipulated by donors to be maintained in perpetuity as endowment funds. Investment income, including realized and unrealized gains and losses, are classified as time restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

INVESTMENTS

The Foundation follows the provisions of the FASB Codification for accounting for investments held by not-for-profit organizations. This standard requires investments in marketable securities be accounted for at fair value. Fair value is based on quoted market prices. Realized gains and losses are the differences between the proceeds received and the cost of investments sold and unrealized gains and losses are the differences between the fair value and the cost of investments and are included in investment income.

PROPERTY AND EQUIPMENT

Property and equipment purchases of $3,000 or more are recorded at cost. This threshold was increased from $1,000 in June, 2020. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets ranging from 3 years to 5 years. Major renewals and betterments, which extend the useful life of an asset, are capitalized while routine maintenance and repairs are expensed as incurred.

DEFERRED RENT

Rent expense is recorded on the straight-line method over the life of the lease. Tenant allowances are recorded as a deferred rent liability and amortized over the term of the lease.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program and support services have been reported on a functional basis in the statements of activities and changes in net assets. Expenses are charged directly to programs, management and general, or fundraising categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION

The Foundation recognizes unconditional promises to give measured at fair value in accordance with donor restrictions in the period the commitment for support is obtained. Conditional promises to give are recorded when the required conditions have been met. Contributions with donor restrictions, for which the restriction is satisfied in the same year as received, are recorded as restricted revenue with a corresponding amount released from restrictions.

The Foundation's contributions receivable is composed primarily of contributions committed from various donors for use in the Foundation's activities. Contributions receivable at December 31, 2020 and 2019 are expected to be collected within one year. The Foundation has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are fully collectible.

CONTRIBUTED ASSETS AND SERVICES

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. The Foundation did not record any donated services during the year ended December 31, 2020 and 2019 as amounts were deemed immaterial.

A number of unpaid volunteers and members of the Board of Directors donate their time to ensure success of the Foundation's activities. The value of these services is not reflected in these financial statements since they do not meet the criteria for recognition under the FASB Codification topic related to accounting for contributions received and made.

TAX STATUS

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3) and is similarly classified by the State of Illinois. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities.

ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 *(Topic 606)*: *Revenue from Contracts with Customers,* which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance was to be effective for the Foundation’s year ending December 31, 2019 but was delayed as a result of the COVID-19 pandemic. The Foundation’s management adopted the ASU effective January 1, 2020. Management determined there were no cumulative effect of applying the new standard to the opening balance of net assets without donor restrictions and there is no impact to change in net asset without donor restrictions currently or in the future.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTING PRONOUNCEMENTS (Continued)

The adoption of the ASU did not have a significant impact on the Foundation's financial position, results of activities, or cash flows. A substantial portion of the Foundation's revenue relates to contributions and the only arrangements to which the ASU would be applicable is special event revenues. Special event revenue, which includes registration fees or ticket sales, sponsorships and sales of auction items, are recorded equal to the cost of direct benefits to donors, and contribution revenue for the difference. Based on the Foundation's evaluation of its special events contracts with customers, the timing and amount of revenues recognized previously is consistent with how revenues are recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases,* which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statements of activities and changes in net assets, and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The lease standard is expected to increase assets and lease liabilities upon adoption and there is not expected to be a significant impact on expenses or cash flows.

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31, 2020:

	2020	2019
Cash	**$ 430,702**	$ 299,215
Investments	**16,595,062**	15,453,270
Contributions Receivable	**55,400**	6,250
Other Receivables	**1,689**	10,960
Less: Net Assets Without Donor Restrictions - Board-Designated	**(11,135,648)**	(10,589,871)
Less: Net Assets With Donor Restrictions	**(4,047,437)**	(3,658,046)
	$ 1,899,768	$ 1,521,778

Net assets with donor restrictions in perpetuity were subtracted in the above chart as these assets are included in the Foundation's investment portfolio. Although the Foundation does not intend to spend their board-designated net assets of $11,135,648, these amounts could be made available if necessary. As part of its liquidity management plan, the Foundation attempts to maintain sufficient cash to meet current operating needs.

NOTE 3—CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash with one financial institution, which, at times, may exceed federally insured limits. The Foundation maintains its accounts in a financial institution with high credit standings and has not experienced any losses in such accounts. Thus, management believes the Foundation is not exposed to any significant credit risk on cash.

The Foundation's investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the fair value of investments will occur in the near term and materially affect the amounts reported in the financial statements.

Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from grantors and sponsors supportive of our mission.

NOTE 4—INVESTMENTS

Investments at December 31 consisted of the following:

	2020	2019
Mutual Funds:		
Equity Funds		
Stock Market	**$ 7,642,702**	$ 5,556,674
International Stock Market	**2,338,395**	3,663,729
Total Equity Funds	**9,981,097**	9,220,403
Fixed Income Funds		
Federal Money Market Fund	**656,302**	414,875
Fixed Income Blend	**1,190,767**	—
Short-Term	**672,047**	802,335
Immediate Term	**952,651**	1,241,873
Intermediate Term Bond Fund	**1,884,966**	2,041,244
Intermediate Term International Fund	**555,800**	1,732,540
Long-Term Bond	**538,484**	—
Total Fixed Income Funds	**6,451,017**	6,232,867
Total Investments at Fair Value	**16,432,114**	15,453,270
Uninvested Cash in Investment Portfolio	**162,948**	—
Total Investments	**$ 16,595,062**	$ 15,453,270

Investment earnings for the years ended December 31:

Interest and Dividend Income	**$ 347,502**	$ 366,779
Net Realized Gain	**605,115**	75,045
Net Unrealized Gain	**584,669**	1,917,067
Less: Investment Fees	**(67,494)**	(24,568)
Total	**$ 1,469,792**	$ 2,334,323

NOTE 5—FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The FASB Codification provides a framework for measuring fair value using a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

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

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

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Level 1 Fair Value Measurements

Mutual funds are valued at their market values, which are determined daily and are quoted on a national exchange. All Foundation investments are measured at level one.

Level 2 Fair Value Measurements

The Foundation has no level 2 fair value measurements.

Level 3 Fair Value Measurements

The Foundation has no level 3 fair value measurements.

NOTE 6—CONDITIONAL GRANTS PAYABLE

The Foundation has made the following conditional promises to give, totaling up to $69,551, for which the expense and obligation are not recorded, since the underlying conditions have not been met by the grantees as of December 31, 2020:

A conditional promise to fund a co-branded grant of $10,000 for each of the following two years, conditional on the co-sponsoring foundation's contributing matching funds by the end of May each year, in $5,000 increments.

A $49,304 co-funded research grant, of which the Foundation is responsible for half of the award. At December 31, 2020, $24,651 of the Foundation's share of the award is still conditional on the achievement of certain milestones, which the grantee has until March, 2021 to complete.

A second co-funded research grant in the amount of $49,800, of which the Foundation is responsible for half of the award. At December 31, 2020, $24,900 of the Foundation's share of the award is still conditional on the achievement of certain milestones, which the grantee has until March, 2022 to complete.

NOTE 7—PAYROLL PROTECTION PROGRAM AND ECONOMIC IMPACT DISASTER LOANS

On April 12, 2020, the Foundation applied for and was awarded a Payroll Protection Program (PPP) loan from the U.S. Small Business Administration (SBA) of $107,771. The loan accrues interest at a fixed rate of 1.00% per annum, but payments are not required to begin for six months after the funding of the loan. The loan matures on April 12, 2022. The Foundation is eligible for loan forgiveness up to 100% of the loan, upon meeting certain requirements to the extent of applicable payroll and other covered costs. The amount of loan forgiveness shall be calculated (and may be reduced) in accordance with the requirements of the PPP, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan is uncollateralized and is fully guaranteed by the Federal government.

As permitted under accounting principles U.S. GAAP, the Foundation is treating the possible loan forgiveness as a gain contingency under ASC 450-30. Under this standard, the proceeds from the loan and any accrued interest thereof will remain reported as a liability on the statements of financial position until the federal agency lender legally forgives the loan.

On October 28, 2020, the Foundation applied for and was awarded an Economic Impact Disaster Loan (EIDL) loan from the U.S. Small Business Administration (SBA) of $150,000. The loan accrues interest at a fixed rate of 2.75% per annum, but payments and interest are not required to begin for twelve months after the funding of the loan. The loan matures on October 28, 2050. The loan is collateralized by the Foundation's business assets.

Future maturities as of December 31, 2020 are as follows:

Year Ending December 31	
2021	$ —
2022	—
2023	3,610
2024	3,710
2025	3,814
Thereafter	138,866
	$ 150,000

NOTE 8—BOARD-DESIGNATED NET ASSETS

As of December 31, the board of directors has designated certain net assets without donor restriction as follows:

	2020	2019
Board-Designated Endowment Funds:		
Grants and Scholarships		
Education	**$ 2,472,922**	$ 2,132,545
Community Service Projects	**72,442**	62,714
Research	**197,310**	172,867
Industry Recognition	**74,276**	64,661
International	**1,068,522**	923,866
	3,885,472	3,356,653
Program	**58,971**	114,560
Osteopathic Enrichment Fund	**7,191,205**	7,118,658
Total	**$ 11,135,648**	$ 10,589,871

NOTE 9—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are as follows:

	2020	2019
Purpose Restrictions:		
Grants and Scholarships		
Education	**$ 2,789,899**	$ 2,531,860
Community Service Projects	**208,290**	122,274
Research	**318,988**	280,369
Industry Recognition	**44,047**	44,692
	3,361,224	2,979,195
Education – Student Loans	**128,996**	129,925
AOF Disaster Relief	**39,646**	39,981
NOMA Health Fair Support	**3,252**	3,295
Total Purpose and Time Restricted Net Assets	**$ 3,533,118**	$ 3,152,396
Donor Restricted Endowment – In Perpetuity	**$ 515,650**	$ 505,650

Releases of net assets with donor restrictions for the years ended December 31 are as follows:

	2020	2019
Purpose and Time Restrictions:		
Grants and Scholarships		
Education	**$ 101,716**	$ 52,697
Community Service Projects	**1,924**	20,895
Research	**25,535**	21,229
Industry Recognition	**27,645**	39,491
	156,820	134,312
Management Compensation	**—**	267,096
Education – Student Loans	**929**	—
AOF Disaster Relief (Int'l)	**335**	5,448
NOMA Health Fair Support	**43**	1,341
Total Purpose and Time Restricted Net Assets	**$ 158,127**	$ 408,197

NOTE 10—DONOR RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS

The Foundation's endowment includes both five donor-restricted endowment funds and seventeen funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restricted endowment funds are to provide grants and scholarships.

INTERPRETATION OF RELEVANT LAW

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions - in perpetuity, is classified as net assets with donor restrictions - time and purpose, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment net asset composition by type of fund as of December 31, 2020 is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Time and Purpose	In Perpetuity	Total Endowment Net Assets
Donor-Restricted Endowment Funds	$ —	$ 268,900	$ 515,650	$ 784,550
Board-Designated Endowment Funds	11,135,648	—	—	11,135,648
Total Endowment Net Assets	$ 11,135,648	$ 268,900	$ 515,650	$ 11,920,198

NOTE 10—DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions: Time and Purpose	With Donor Restrictions: In Perpetuity	Total Endowment Net Assets
Endowment Net Assets, Beginning of Year	$ 10,589,871	$ 203,003	$ 505,650	$ 11,298,524
Investment Return:				
Investment Income	163,517	17,865	—	181,382
Net Appreciation (Realized and Unrealized)	691,149	97,868	—	789,017
Contributions	—	—	10,000	10,000
Appropriation of Endowment Assets for Expenditure	(308,889)	(49,836)	—	(358,725)
Endowment Net Assets, End of Year	$ 11,135,648	$ 268,900	$ 515,650	$ 11,920,198

Endowment net asset composition by type of fund as of December 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions: Time and Purpose	With Donor Restrictions: In Perpetuity	Total Endowment Net Assets
Donor-Restricted Endowment Funds	$ —	$ 203,003	$ 505,650	$ 708,653
Board-Designated Endowment Funds	10,589,871	—	—	10,589,871
Total Endowment Net Assets	$ 10,589,871	$ 203,003	$ 505,650	$ 11,298,524

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

	Without Donor Restrictions	With Donor Restrictions: Time and Purpose	With Donor Restrictions: In Perpetuity	Total Endowment Net Assets
Endowment Net Assets, Beginning of Year	$ 9,186,509	$ 89,823	$ 505,650	$ 9,781,982
Investment Return:				
Investment Income	252,049	16,338	—	268,387
Net Appreciation (Realized and Unrealized)	1,467,250	95,108	—	1,562,358
Contributions	2,000	12,000		14,000
Appropriation of Endowment Assets for Expenditure	(317,937)	(10,266)	—	(328,203)
Endowment Net Assets, End of Year	$ 10,589,871	$ 203,003	$ 505,650	$ 11,298,524

NOTE 10—DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (Continued)

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 and 2019.

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under these policies, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the respective benchmarks for the different asset classes provided for in the Foundation's investment policy. These asset classes include equities (large-cap value and growth U.S.-traded stocks, developed foreign market equities, and emerging market equities), real estate investment trusts (REITs), fixed-income investments (intermediate duration taxable bonds), dynamic asset allocation funds (overlay portfolios), and alternative investment hedge funds. The primary objective is to generate investment returns (interest, dividends, and capital gains) to fund the Foundation's programs. The target return is 4 percent over inflation annually, as measured by the Consumer Price Index over a market cycle (five to seven years). Actual returns in any given year may vary from this amount. The secondary objective is to preserve the present and future capital of the endowment over a complete market cycle and to generate a long-term rate of return in order to increase the purchasing power of the Foundation's assets.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The projected returns of the various asset classes are considered, along with the volatility of these returns and the downside risk associated with equities, REITs, fixed-income investments, and alternative investment hedge funds.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Foundation has a policy of appropriating for distribution each year no greater than 5 percent, of its endowment fund's average fair value over the prior 20 consecutive quarters immediately preceding the current fiscal year end. The first 1 percent of the distribution will be allocated to the general fund to assist with operating expenses and up to 4% may be distributed for program spending. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the objective of preservation of capital.

NOTE 11—EMPLOYEE BENEFIT PLAN

The Foundation's employees are covered under AOA's (American Osteopathic Association) 401(k) defined contribution plan (the "Plan"). The Plan covers substantially all employees, and participants can elect to have up to 100 percent of their salaries contributed to the Plan subject to IRS limitations. The Foundation contributes 4 percent of each participant's salary to the Plan on an annual basis, as well as matches 50 percent of the first 6 percent contributed by the participant. Plan contributions by the Foundation totaled $36,801 and $23,392 for the year ended December 31, 2020 and 2019, respectively.

NOTE 12—TRANSACTIONS WITH AFFILIATE

As of December 31, 2020 and 2019, the outstanding payable to AOA for administrative services provided during the year was $115,226 and $30,515, respectively. Administrative services provided by AOA included support services, postage, information technology, and other costs incurred on behalf of the Foundation. The reimbursement billings for such services for the years ended December 31, 2020 and 2019 was $131,689 and $151,868, respectively, including office rental from AOA (see Note 13). Contributions from AOA were $30,000 for 2020 and $283,831 for 2019, which included donations for compensation and related benefits of the Foundation's management of $-0- and $248,831 for 2020 and 2019, respectively. Additionally, AOA's payroll service processes the Foundation's payroll, which is paid out of AOA's bank account. The Foundation subsequently repays AOA and these repayments totaled $830,520 and $435,785 for 2020 and 2019, respectively.

NOTE 13—OPERATING LEASE

In April 1999, the Foundation entered into an operating lease agreement with AOA for office space located in Chicago, Illinois. In May 2008, the Foundation and AOA amended the lease to increase the square footage leased by the Foundation and extend the lease term to March 31, 2019. A new 5-year lease agreement commenced April 1, 2019, including an $8,000 remodeling allowance and starting at $69,939 per annum with annual increases. Rent expense, determined on a straight-line basis, was $65,555 and $63,638 for the years ended December 31, 2020 and 2019, respectively with additional amounts charged for operating expenses and real estate taxes of $758 and $5,454, respectively. These amounts are included in occupancy expense on the statements of functional expenses.

Aggregate future minimum rental payments required under these leases as of December 31, 2020 were as follows:

Year Ending June 30	
2021	$ 72,086
2022	73,313
2023	74,540
2024	18,712
	$ 238,651

NOTE 14—RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, the Foundation received contributions from board members and board member foundations totaling $99,877 and $1,096,388, respectively.

NOTE 15—RECLASSIFICATION

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 16—SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 15, 2021, the date which the financial statements were available for issue. The COVID-19 pandemic has impacted and could further impact the Foundation's operations. The extent to which the COVID-19 pandemic impacts the Foundation, the results of its activities and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Foundation's members, and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, the Foundation may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Foundation cannot reasonably estimate the impact at this time.

In January, 2021, the Foundation received a conditional pledge of $1,000,000 payable over 10 years donated by a member of the Board.

Also, in March 2021, the Foundation received notification that its PPP loan of $107,771 and related accrued interest were forgiven.

Aside from this pledge and the impact of the COVID pandemic, there were no additional subsequent events which require disclosure.