AMERICAN OSTEOPATHIC FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
American Osteopathic Foundation
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of AMERICAN OSTEOPATHIC FOUNDATION (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AMERICAN OSTEOPATHIC FOUNDATION 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 AMERICAN OSTEOPATHIC FOUNDATION's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 AMERICAN OSTEOPATHIC FOUNDATION'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 AMERICAN OSTEOPATHIC FOUNDATION'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.

Warady & Davis LLP

April 19, 2022

STATEMENTS OF FINANCIAL POSITION

As of December 31	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 739,693	$ 430,702
Investments, at Fair Value	17,565,304	16,595,062
Contributions Receivable	121,530	55,400
Other Receivables	1,526	1,689
Prepaid Expenses	21,404	34,959
Total Current Assets	18,449,457	17,117,812
NONCURRENT ASSETS		
Contributions Receivable, Long-Term	805,085	—
Property and Equipment, net	10,824	7,576
Total Noncurrent Assets	815,909	7,576
	$ 19,265,366	$ 17,125,388
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Paycheck Protection Program Loan	$ —	$ 107,771
Accounts Payable	21,302	13,669
Grants and Scholarships Payable	56,560	46,050
Accrued Expenses	48,324	50,403
Due to American Osteopathic Association (AOA)	57,511	115,226
Deferred Rent	2,520	1,293
Total Current Liabilities	186,217	334,412
LONG-TERM LIABILITIES		
Economic Injury Disaster Loan	—	150,000
Deferred Rent	4,761	7,281
Total Long-Term Liabilities	4,761	157,281
Total Liabilities	190,978	491,693
NET ASSETS		
Without Donor Restrictions	1,505,138	1,449,279
Without Donor Restrictions - Board-Designated	12,034,109	11,135,648
With Donor Restrictions - Time and Purpose	4,078,919	3,533,118
With Donor Restrictions - In Perpetuity	1,456,222	515,650
Total Net Assets	19,074,388	16,633,695
	$ 19,265,366	$ 17,125,388

See accompanying notes.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31	2021				2020			
		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 and Grants	**$ 395,508**	**$ 383,986**	**891,447**	**$ 1,670,941**	$ 474,176	$ 86,166	$ 10,000	$ 570,342
Special Event Revenue	**479,736**		**49,125**	**528,861**	318,729	58,280		377,009
Donated Services and In-Kind Contributions	**8,112**			**8,112**				—
Total Operating Revenues	**883,356**	**383,986**	**940,572**	**2,207,914**	792,905	144,446	10,000	947,351
Other Revenues and Gains								
Investment Income, net of Fees	**1,306,306**	**415,418**		**1,721,724**	1,075,389	394,403		1,469,792
Other Revenue	**217**			**217**	119,130			119,130
Payroll Protection Program Loan and Interest Forgiveness	**236,846**			**236,846**				—
Total Other Revenue and Gains	**1,543,369**	**415,418**		**1,958,787**	1,194,519	394,403		1,588,922
Total Support, Other Revenue and Gains	**2,426,725**	**799,404**	**940,572**	**4,166,701**	1,987,424	538,849	10,000	2,536,273
NET ASSETS RELEASED FROM RESTRICTION								
Satisfaction of Restrictions	**253,603**	**(253,603)**		**—**	158,127	(158,127)		—
EXPENSES								
Program Services	**803,152**			**803,152**	752,407			752,407
Management and General	**447,963**			**447,963**	432,588			432,588
Fundraising								
Direct Expenses for Special Event	**43,788**			**43,788**	31,962			31,962
Other Fundraising	**431,105**			**431,105**	346,932			346,932
Total Expenses	**1,726,008**			**1,726,008**	1,563,889			1,563,889
CHANGE IN NET ASSETS	**954,320**	**545,801**	**940,572**	**2,440,693**	581,662	380,722	10,000	972,384
Net Assets, Beginning of Year	**12,584,927**	**3,533,118**	**515,650**	**16,633,695**	12,003,265	3,152,396	505,650	15,661,311
NET ASSETS, ENDING	**$ 13,539,247**	**$ 4,078,919**	**$ 1,456,222**	**$19,074,388**	$ 12,584,927	$ 3,533,118	$ 515,650	$ 16,633,695

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

		Supporting Services			
	Program Services	Management and General	Fundraising	Direct Expenses for Special Event	Total
Salaries	$ 270,697	$ 251,820	$ 175,876	$	$ 698,393
Payroll Taxes	18,851	17,535	12,246		48,632
Benefits	42,944	42,834	34,500		120,278
Bank, Credit Card and Processing Fees		933	24,255		25,188
Depreciation	4,133	616	1,603		6,352
Special Event Entertainment				16,500	16,500
Filing Fees		9,148			9,148
Grants, Scholarships and Awards	339,447				339,447
Information Technology and Website	42,373	26,754	39,888		109,015
Insurance	1,513	2,214	2,831		6,558
Interest		3,466			3,466
Donor Recruitment, Cultivation and Promotion			23,278		23,278
Occupancy	32,992	25,750	21,727		80,469
Office Expenses and Supplies	2,968	8,087	13,316	20,279	44,650
Professional Services	41,804	42,111	77,739	7,009	168,663
Temporary Labor		2,881			2,881
Travel and Meetings	5,430	13,589	3,846		22,865
Miscellaneous Expenses		225			225
	$ 803,152	$ 447,963	$ 431,105	$ 43,788	$ 1,726,008

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

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 CASH FLOWS

For the Years Ended December 31	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 2,440,693	$ 972,384
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities		
Depreciation	6,352	2,854
PPP Loan and Interest Forgiveness	(236,846)	—
Noncash PPP Interest Expense	1,159	766
Net Realized and Unrealized Gains on Investments	(1,404,754)	(1,189,784)
Changes in Assets and Liabilities:		
Increase in Contributions Receivable	(871,215)	(49,150)
Decrease in Other Receivables	163	9,271
Increase (Decrease) in Prepaid Expenses	13,555	(10,897)
Increase in Accounts Payable	7,633	6,468
Increase in Grants and Scholarships Payable	10,510	33,376
Decrease in Accrued Expenses	(1,313)	(28,559)
Increase (Decrease) in Due to American Osteopathic Association (AOA)	(57,715)	84,711
Decrease in Deferred Rent	(1,293)	(66)
Total Adjustments	(2,533,764)	(1,141,010)
Net Cash Used by Operating Activities	(93,071)	(168,626)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(9,600)	(5,650)
Purchases of Investments	(13,172,720)	(10,734,983)
Proceeds from Sales of Investments	13,726,413	11,130,477
Change in Uninvested Cash in Investment Portfolio	162,948	—
Reinvested Dividends and Interest	(282,129)	(347,502)
Net Cash Provided by Investing Activities	424,912	42,342
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	127,150	107,771
Proceeds from Economic Injury Disaster Loan	—	150,000
Repayment of Economic Injury Disaster Loan	(150,000)	—
Net Cash Provided (Used) by Financing Activities	(22,850)	257,771
NET INCREASE IN CASH AND CASH EQUIVALENTS	308,991	131,487
Cash and Cash Equivalents, Beginning	430,702	299,215
CASH AND CASH EQUIVALENTS, ENDING	$ 739,693	$ 430,702
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 2,996	$ —

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.

The Student Osteopathic Medical Foundation (SOMAF) desired to terminate its existing tax-exempt status as a supporting organization of the Student Osteopathic Medical Association and have the Foundation act as its fiscal sponsor for the purpose of managing its existing funds, soliciting and receiving gifts, overseeing administrative functions, and distributing grants in accordance with the mission and advice of the SOMAF's board of directors. The Foundation's board of directors determined that the SOMAF's purposes align with the Foundation's mission and furthers its charitable goals and tax-exempt purposes and, therefore, entered into a Fiscal Sponsorship Agreement commencing June 1, 2021. The SOMAF was dissolved as an Illinois not-for-profit corporation and filed its final tax return for the fiscal year ended May 31, 2021, and the Foundation adopted the assumed name of Student Osteopathic Medical Association Foundation.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

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 restriction. 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.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

REVENUE RECOGNITION

A substantial portion of the Foundation's revenue relates to contributions. 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 restriction. 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.

The Foundation's contributions receivable is composed primarily of contributions committed from various donors for use in the Foundation's activities. The Foundation has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are fully collectible.

The only arrangements to which the revenue recognition standard would be applicable is special event revenues. Special event revenue includes registration fees or ticket sales, sponsorships and sales of auction items and the amount equal to the cost of direct benefits to donors is recognized at the point in time the event occurs, or the auction items are sold. The remainder is appropriately recognized as contribution revenue when received. Based on the Foundation's evaluation of its special events contracts with customers, the timing and amount of revenues recognized is consistent with how revenues were previously recognized.

CONTRIBUTED ASSETS AND SERVICES

Donated services are recognized as revenue 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. During the year ended December 31, 2021, the Foundation recognized $51,371 of donated goods and services of which $43,259 is included in special event revenue. Donated professional services of $6,180 and $7,009 of media for special events is included in professional fees and $1,932 of rent abatements is included in occupancy, on the statements of functional expenses. Donated auction items of $36,250 were sold. The Foundation did not record any donated goods or services during the year ended December 31, 2020 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

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 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:

	2021	2020
Cash	$ **739,693**	$ 430,702
Investments	**17,565,304**	16,595,062
Contributions Receivable	**926,615**	55,400
Other Receivables	**1,526**	1,689
Less: Net Assets Without Donor Restrictions - Board-Designated	**(12,034,109)**	(11,135,648)
Less: Net Assets With Donor Restrictions	**(5,535,141)**	(4,048,768)
	$ **1,663,888**	$ 1,898,437

Net assets with donor restrictions in perpetuity were subtracted in the above chart as these assets are included in the Foundation's investment portfolio. Additionally, contributions receivable – long-term were included as they also are included in net assets with donor restriction due to their purpose or implied time restriction. Although the Foundation does not intend to spend their board-designated net assets of $12,034,109 for operating purposes, 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:

	2021	2020
Mutual Funds:		
Equity Funds		
Stock Market	**$ 7,537,515**	$ 7,642,702
International Stock Market	**2,910,300**	2,338,395
Total Equity Funds	**10,447,815**	9,981,097
Fixed Income Funds		
Federal Money Market Fund	**557,030**	656,302
Fixed Income Blend	**2,800,094**	1,190,767
Short-Term	**1,098,181**	672,047
Immediate Term	**1,676,514**	952,651
Intermediate Term Bond Fund	**—**	1,884,966
Intermediate Term International Fund	**985,670**	555,800
Long-Term Bond	**—**	538,484
Total Fixed Income Funds	**7,117,489**	6,451,017
Total Investments at Fair Value	**17,565,304**	16,432,114
Uninvested Cash in Investment Portfolio	**—**	162,948
Total Investments	**$ 17,565,304**	$ 16,595,062

Investment earnings for the years ended December 31:

Interest and Dividend Income	**$ 367,023**	$ 347,502
Net Realized Gain	**553,944**	605,115
Net Unrealized Gain	**850,810**	584,669
Less: Investment Fees	**(50,053)**	(67,494)
Total	**$ 1,721,724**	$ 1,469,792

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, 2021 and 2020.

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—CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give and consist of amounts receivable at December 31:

	2021	2020
Less than One Year	$ 121,530	$ 55,400
One to Five Years	872,715	—
	994,245	55,400
Less: Discount to Net Present Value	67,630	—
Net Pledges Receivable	926,615	55,400
Less Current Portion	121,530	55,400
Long-Term Portion	$ 805,085	$ —

The discount rate used in determining the net present value of unconditional promises to give was 1.55% for the year ended December 31, 2021. There were no long-term pledges that required a discount for the year ended December 31, 2020. Management believes amounts are fully collectible at December 31, 2021 and 2020, and that no allowance for uncollectible accounts is necessary.

NOTE 7—CONDITIONAL GRANTS PAYABLE

The Foundation has made the following conditional promises to give, totaling up to $79,681, for which the expense and obligation are not recorded, since the underlying conditions have not been met by the grantees as of December 31, 2021:

A conditional promise to fund a co-branded grant of $10,000 was made in the year ended December 31, 2020 for each of the next two years conditional on the co-sponsoring organization contributing matching funds by the end of May each year, in $5,000 increments. The grant was renewed for an additional year in 2021 through 2023. Thus, the conditional grant payable at December 31, 2021 is $20,000.

A $49,304 co-funded research grant, of which the Foundation is responsible for half of the award was committed in 2020. During the year ended December 31, 2021, $25,000 was paid by the other grantor and $9,860 was paid and recognized as an expense by the Foundation as the conditions were met, thus $14,791 of the Foundation's share of the award is still conditional on the achievement of certain milestones at December 31, 2021. The grantee had until March, 2021 to complete, which has been extended to March, 2022.

A second co-funded research grant in the amount of $49,800, of which the Foundation is responsible for half of the award was committed in 2020. During the year ended December 31, 2021, $9,960 was paid by the other grantor and $9,960 was paid and recognized as an expense by the Foundation as the conditions were met, thus $2,390 of the Foundation's share of the award is still conditional on the achievement of certain milestones at December 31, 2021. The grantee has until March, 2022 to complete.

NOTE 7—CONDITIONAL GRANTS PAYABLE (Continued)

A third co-funded research grant in the amount of $50,000, of which the Foundation is responsible for half of the award was committed in 2021. During the year ended December 31, 2021, $12,500 was paid by the other grantor and $12,500 was paid and recognized as an expense by the Foundation as the conditions were met. At December 31, 2021, $12,500 of the Foundation's share of the award is still conditional on the achievement of certain milestones, which the grantee has until March, 2023 to complete.

A grant of $30,000 was committed in 2021 to fund a COVID-19 Immunization Pilot Study which the grantee has until September 30, 2022 to complete. The award is conditional on the grantee recruiting, compensating and conducting a research study on 200 participants.

NOTE 8—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. On March 23, 2021, the Foundation received notification that its PPP loan of $107,771 and related accrued interest of $992 were forgiven. Interest expense for the years ended December 31, 2021 and 2020 was $226 and $766, respectively.

On January 22, 2021, the Foundation applied for and was awarded a second Payroll Protection Program (PPP) loan from the U.S. Small Business Administration (SBA) of $127,150. 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 January 22, 2023. 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. On October 21, 2021, the Foundation received notification that its PPP loan of $127,150 and related accrued interest of $933 were forgiven.

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.

NOTE 8—PAYROLL PROTECTION PROGRAM AND ECONOMIC IMPACT DISASTER LOANS (Continued)

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 twenty months after the funding of the loan. The loan matures on October 28, 2050. The loan is collateralized by the Foundation's business assets. The Foundation repaid the loan and accrued interest of $2,996 in July 2021. Interest expense for the years ended December 31, 2021 and 2020 was $2,308 and $688, respectively.

Interest expense for the years ended December 31, 2021 and 2020 was $3,466 and $1,454, respectively.

NOTE 9—BOARD-DESIGNATED NET ASSETS

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

	2021	2020
Board-Designated Endowment Funds:		
Grants and Scholarships		
Education	**$ 2,676,043**	$ 2,472,922
Community Service Projects	**79,569**	72,442
Research	**246,838**	197,310
Industry Recognition	**81,602**	74,276
International	**1,172,828**	1,068,522
	4,256,880	3,885,472
Program	**4,980**	58,971
Osteopathic Enrichment Fund	**7,772,249**	7,191,205
Total	**$ 12,034,109**	$ 11,135,648

NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Purpose Restrictions:		
Grants and Scholarships		
Education	**$ 3,336,441**	$ 2,789,899
Community Service Projects	**208,186**	208,290
Research	**315,229**	318,988
Industry Recognition	**44,582**	44,047
	3,904,438	3,361,224
Education – Student Loans	**127,839**	128,996
AOF Disaster Relief	**43,436**	39,646
NOMA Health Fair Support	**3,206**	3,252
Total Purpose and Time Restricted Net Assets	**$ 4,078,919**	$ 3,533,118
Donor Restricted Endowment – In Perpetuity	**$ 1,456,222**	$ 515,650

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

	2021	2020
Purpose and Time Restrictions:		
Grants and Scholarships		
Education	**$ 131,545**	$ 101,716
Community Service Projects	**21,170**	1,924
Research	**67,545**	25,535
Industry Recognition	**31,737**	27,645
	251,997	156,820
Education – Student Loans	**1,157**	929
AOF Disaster Relief (Int'l)	**403**	335
NOMA Health Fair Support	**46**	43
Total Purpose and Time Restricted Net Assets	**$ 253,603**	$ 158,127

NOTE 11—DONOR RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS

The Foundation's endowment includes both six donor-restricted endowment funds and eighteen 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, 2021 is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Time and Purpose	In Perpetuity	Total Endowment Net Assets
Donor-Restricted Endowment Funds	$ —	$ 428,184	$ 1,456,222	$ 1,884,406
Board-Designated Endowment Funds	12,034,109	—	—	12,034,109
Total Endowment Net Assets	$ 12,034,109	$ 428,184	$ 1,456,222	$ 13,918,515

NOTE 11—DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended December 31, 2021 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	$ 11,135,648	$ 268,900	$ 515,650	$ 11,920,198
Investment Return:				
Investment Income	214,728	16,606	—	231,334
Net Appreciation (Realized and Unrealized)	951,643	73,596	—	1,025,239
Contributions	—	106,517	940,572	1,047,089
Appropriation of Endowment Assets for Expenditure	(267,910)	(37,435)	—	(305,345)
Endowment Net Assets, End of Year	$ 12,034,109	$ 428,184	$ 1,456,222	$ 13,918,515

Endowment net asset composition by type of fund as of December 31, 2020 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	$ —	$ 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

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

NOTE 11—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, 2021 and 2020.

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 12—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 $46,731 and $36,801 for the year ended December 31, 2021 and 2020, respectively.

NOTE 13—TRANSACTIONS WITH AFFILIATE

As of December 31, 2021 and 2020, the outstanding payable to AOA for administrative services provided during the year was $57,511 and $115,226, 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, 2021 and 2020 was $138,817 and $131,689, respectively, including office rental from AOA (see Note 14). Contributions from AOA were $77,913 for 2021 and $30,000 for 2020. 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 $867,928 and $830,520 for 2021 and 2020, respectively.

NOTE 14—OPERATING LEASE

The Foundation entered into a new 5-year lease agreement with AOA for office space located in Chicago, Illinois commencing April 1, 2019. The lease included an $8,000 remodeling allowance and starting at $69,939 per annum with annual increases. Rent expense, determined on a straight-line basis, was $75,307 and $65,555 for the years ended December 31, 2021 and 2020, respectively with additional amounts charged for operating expenses and real estate taxes of $4,399 and $758, 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, 2021 were as follows:

Year Ending December 31	
2022	$ 73,313
2023	74,540
2024	18,712
	$ 166,565

NOTE 15—RELATED PARTY TRANSACTIONS

During the years ended December 31, 2021 and 2020, the Foundation received contributions from board members and board member foundations totaling $1,113,967 and $99,877, respectively.

NOTE 16—SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 19, 2022, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.