

**FOUNDATION FOR PHYSICAL THERAPY, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**FOUNDATION FOR PHYSICAL THERAPY, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Foundation for Physical Therapy, Inc.  
Alexandria, Virginia

We have audited the accompanying financial statements of Foundation for Physical Therapy, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Trustees  
Foundation for Physical Therapy, Inc.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Physical Therapy, Inc. as of December 31, 2016 and 2015, 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 Regarding Corrections of Errors**

As discussed in Note 12 to the financial statements, the Foundation for Physical Therapy, Inc. determined that the Supporting the Profession Endowment Fund contributed by American Physical Therapy Association, previously reported as board designated net assets would be more appropriately reported as permanently restricted net assets in the statements of financial position due to the fact that the Foundation is no longer a subsidiary of the American Physical Therapy Association. As a result, the 2015 financial statements have been restated for the impacts of this reporting change. Our opinion is not modified for this matter.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
April 10, 2017

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	2016	2015 As Restated
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,192,688	\$ 1,494,177
Investments	13,399,577	12,346,684
Accounts Receivable	58,317	20,973
Pledges Receivable, Net	934,734	1,358,131
Grant Receivable	55,000	-
Other Assets	19,058	23,405
Cash Surrender Value of Life Insurance Policy	-	53,798
	<u>\$ 16,659,374</u>	<u>\$ 15,297,168</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 252,686	\$ 188,778
Grants and Awards Payable	1,284,250	1,109,045
Deferred Revenue and Other Liabilities	1,250	6,250
Total Liabilities	<u>1,538,186</u>	<u>1,304,073</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	609,253	1,993,379
Board Designated:		
Goergen Fund	1,731,726	-
Operating Reserve Fund	860,065	791,640
Total Unrestricted	<u>3,201,044</u>	<u>2,785,019</u>
Temporarily Restricted	6,826,020	6,418,537
Permanently Restricted	5,094,124	4,789,539
Total Net Assets	<u>15,121,188</u>	<u>13,993,095</u>
Total Liabilities and Net Assets	<u>\$ 16,659,374</u>	<u>\$ 15,297,168</u>

See accompanying Notes to Financial Statements.

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016				2015 - As Restated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>								
Contributions and Grants	\$ 1,261,311	\$ 602,741	\$ 304,585	\$ 2,168,637	\$ 1,025,010	\$ 322,504	\$ 43,132	\$ 1,390,646
Fundraising:								
Ticket Sales	48,425	-	-	48,425	40,230	-	-	40,230
Sponsors	92,500	-	-	92,500	100,060	90,340	-	190,400
Total Fundraising	140,925	-	-	140,925	140,290	90,340	-	230,630
Miscellaneous Income	1,179	8,734	-	9,913	2,824	-	-	2,824
Investment Income (Loss)	193,956	851,492	-	1,045,448	(31,560)	(101,291)	-	(132,851)
Net Assets Released from Restrictions:								
Satisfaction of Program Restrictions	1,037,048	(1,037,048)	-	-	904,866	(904,866)	-	-
Reclassification Between Funds	18,436	(18,436)	-	-	41,953	(41,953)	-	-
Total Revenue	2,652,855	407,483	304,585	3,364,923	2,083,383	(635,266)	43,132	1,491,249
<b>EXPENSES</b>								
Program Activities:								
Educational	283,586	-	-	283,586	311,948	-	-	311,948
Scientific Research	1,006,232	-	-	1,006,232	819,825	-	-	819,825
Awareness	133,970	-	-	133,970	175,058	-	-	175,058
Total Program Activities	1,423,788	-	-	1,423,788	1,306,831	-	-	1,306,831
Supporting Activities:								
Administrative and General	351,634	-	-	351,634	348,216	-	-	348,216
Fundraising	461,408	-	-	461,408	392,046	-	-	392,046
Total Supporting Activities	813,042	-	-	813,042	740,262	-	-	740,262
Total Expenses	2,236,830	-	-	2,236,830	2,047,093	-	-	2,047,093
<b>CHANGE IN NET ASSETS</b>	416,025	407,483	304,585	1,128,093	36,290	(635,266)	43,132	(555,844)
Net Assets, Beginning of Year, As Previously Stated	2,785,019	6,418,537	4,789,539	13,993,095	3,948,301	6,854,231	3,746,407	14,548,939
Prior Period Adjustment, Reclassification of Net Assets	-	-	-	-	(1,199,572)	199,572	1,000,000	-
Net Assets, Beginning of Year, As Restated	2,785,019	6,418,537	4,789,539	13,993,095	2,748,729	7,053,803	4,746,407	14,548,939
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,201,044</u>	<u>\$ 6,826,020</u>	<u>\$ 5,094,124</u>	<u>\$ 15,121,188</u>	<u>\$ 2,785,019</u>	<u>\$ 6,418,537</u>	<u>\$ 4,789,539</u>	<u>\$ 13,993,095</u>

See accompanying Notes to Financial Statements.

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,128,093	\$ (555,844)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Permanently Restricted Contributions	(304,585)	(43,132)
Realized Gain on Sale of Investments	(240,784)	(251,704)
Unrealized (Gain) Loss on Investments	(566,404)	597,100
Donated Stock	(14,438)	(48,682)
Allowance for Doubtful Pledges Receivable	(20,722)	(21,966)
Discount on Pledges Receivable	(45,028)	(48,546)
Changes in Assets and Liabilities:		
Accounts Receivable	(37,344)	(10,434)
Pledges Receivable	489,147	425,300
Grant Receivable	(55,000)	-
Other Assets	4,347	1,354
Cash Surrender Value of Life Insurance Policy	53,798	(870)
Accounts Payable and Accrued Expenses	63,908	(17,567)
Grants and Awards Payable	175,205	206,877
Deferred Revenue and Other Liabilities	(5,000)	6,250
Net Cash Provided by Operating Activities	625,193	238,136
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(1,068,269)	(525,052)
Proceeds from the Sale of Investments	837,002	320,009
Net Cash Used by Investing Activities	(231,267)	(205,043)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently Restricted Contributions	304,585	43,132
Net Cash Provided by Financing Activities	304,585	43,132
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	698,511	76,225
Cash and Cash Equivalents, Beginning of Year	1,494,177	1,417,952
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 2,192,688	\$ 1,494,177
 <b>SUPPLEMENTAL INFORMATION</b>		
Donated stock	\$ 14,438	48,682

See accompanying Notes to Financial Statements.

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Foundation for Physical Therapy, Inc. (the Foundation) is a not-for-profit organization incorporated in the State of New York on January 29, 1957. It was organized to advance the science and art of physical therapy by awarding and distributing grants for research projects, scholarships, fellowships and studies related to physical therapy.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

**Income Tax Status**

The Foundation is exempt from Federal income tax on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Section 509(a)(2) of the Code. The Internal Revenue Service recognizes the Foundation's status as a public charity organization.

The Foundation is not aware of any activities that would jeopardize its tax-exempt status. The Foundation is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

**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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Cash and Cash Equivalents**

The Foundation considers all money market funds and investments with maturity of three months or less, other than those held within its investment portfolio, to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

**Investments**

The Foundation carries its investments, consisting primarily of equity securities and mutual funds, at fair value, and investment income consisting of interest, dividends, realized and unrealized gains and losses are reflected in the statements of activities. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, the fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions.



**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment Income Allocation**

Interest, dividends, unrealized gains (losses) and realized gains (losses) on sales of investments are allocated to the Foundation's temporarily restricted net assets based upon the ratio of total temporarily and permanently restricted net assets to total net assets for each donor restricted net asset group for which cash and investments have been received.

**Accounts Receivable**

The accounts receivable are stated at their net realizable value. The majority of the receivables are from amounts due from American Physical Therapy Association (APTA). Accounts past due are individually analyzed for their collectability. When all collection efforts are exhausted, the account is written off against bad debt expense. Management estimates that all receivables are fully collectible.

**Pledges Receivable**

Unconditional promises to give due in the next year are recorded at their net realizable value, which approximates fair value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free adjusted interest rates applicable to the years in which the promises were received. When necessary, an allowance is made for uncollectible promises to give based on management's judgment of the creditworthiness of the donors, past collection experience and other relevant factors.

**Grants and Awards Payable**

Grants and awards payable are recorded when approved and awarded by the Board of Trustees.

**Net Assets**

Net assets are classified based on the existence or absence of donor imposed restrictions. The net assets of the Foundation are reported as follows:

*Unrestricted Net Assets* – represent net assets used for the payment of unrestricted scholarships and awards and for the general operations of the Foundation. Board designated net assets consist of bequests and other gifts received which the board has designated for the Goergeny Fund and the Operating Reserve Fund. The Operating Reserve Fund was established as a designated fund by the Board for the purpose of ensuring the long term financial stability of the Foundation.

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

*Temporarily Restricted Net Assets* – represent resources resulting from donor-restricted contributions, selected interest, dividends and certain unrealized and realized gains (losses) earned on permanently restricted funds. Revenue is recognized as unrestricted if the restrictions are satisfied in the same period as the support is received. Otherwise, once restrictions have been met by the Foundation, either by elapse of time or fulfillment of purpose, related amounts are reported as net assets released from restriction in the statements of activities.

*Permanently Restricted Net Assets* – represent the corpus of contributions establishing endowment funds, which are to be maintained in perpetuity. Earnings on these funds are to be used for the purpose as set forth by the donors.

Management has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA all earnings on endowment funds are temporarily restricted until appropriated for expenditure.

**Revenue Recognition**

Contributions, including unconditional promises to give, are recorded when the notification is received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Sponsorships and ticket sales are recognized in the period the event or program is held. Amounts received in advanced of the related event are deferred until the event takes place.

**Advertising**

Advertising costs are expensed as incurred. Advertising costs charged to expense totaled \$33,500 and \$52,018 for the years ended December 31, 2016 and 2015, respectively.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs benefited, based on hours worked by the Foundation staff in each functional area. Costs are allocated among the following programs:

*Educational* – Expenses for management of the Foundation's scholarship and fellowships program including awardee payments and staff administration, online application system and tech support, peer review process, management of the Scientific Advisory and Research Committees, development of education sessions and scholarship and fellowship program development.

*Research* – Expenses for management of the Foundation's research grant program including awardee payments and staff administration, online application system and tech support, peer review process, management of the Scientific Advisory and Research Committees, development of education sessions and scholarship and fellowship program development.

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses (Continued)**

*Awareness* – Raising awareness of a wide range of physical therapy research areas and its vital role for practicing physical therapists which results in advancing healthcare and optimizing movement of patients and individuals across all age and disease spectrums.

*Administrative and general* – Expenses for overall function and management of the Foundation including costs such as accounting and financial services, legal fees, office management, investment management, auditing, board meetings, board minutes, insurance and occupancy.

*Fundraising* – Expenses for fundraising includes salaries of fundraisers, postage and printing for appeals, publicizing fundraising efforts, online donation websites and conducting fundraising events.

**Fair Value Measurements**

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds, that the Foundation has the ability to access as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment, and are based on the best information available in the circumstances.

**FOUNDATION FOR PHYSICAL THERAPY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications did not change previously reported total net assets or changes thereon.

**Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 10, 2017, the date the financial statements were available to be issued.

**NOTE 2 CONCENTRATION OF CREDIT RISK**

**Credit Risk**

Financial instruments that subject the Foundation to a concentration of credit risk consist of demand deposits placed with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits prescribed by law. The Foundation may hold funds with financial institutions in excess of the FDIC insured amount; however, it has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Market Value Risk**

The Foundation invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

**NOTE 3 INVESTMENTS**

The Foundation's investments are stated at fair value and consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash and Money Markets	\$ 562,460	\$ 592,133
Equity Securities	-	209,283
Mutual Funds:		
US Corporate Equity	7,799,958	6,715,679
International Equity	1,201,736	1,200,729
Corporate Fixed Income	2,922,395	2,733,482
Mortgage-backed Fixed Income	913,028	895,378
Total	<u>\$ 13,399,577</u>	<u>\$ 12,346,684</u>

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 3 INVESTMENTS (CONTINUED)**

Net investment earnings for the years ended December 31, 2016 and 2015, consisted of the following:

	2016	2015
Interest and Dividends	\$ 238,260	\$ 212,545
Realized Gain on Sale of Investments	240,784	251,704
Unrealized Gain (Loss) on Investments	566,404	(597,100)
Total	<u>\$ 1,045,448</u>	<u>\$ (132,851)</u>

**Fair Value Measurements**

The following tables show the Foundation's investment categorization in accordance with the GAAP fair value hierarchy as of December 31:

	2016			Total
	Level 1	Level 2	Level 3	
Cash and Money Markets	\$ 562,460	\$ -	\$ -	\$ 562,460
Equity Securities	-	-	-	-
Mutual Funds:				
US Corporate Equity	7,799,958	-	-	7,799,958
International Equity	1,201,736	-	-	1,201,736
Corporate Fixed Income	2,922,395	-	-	2,922,395
Mortgage-backed Fixed Income	913,028	-	-	913,028
Total	<u>\$ 13,399,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,399,577</u>

	2015			Total
	Level 1	Level 2	Level 3	
Cash and Money Markets	\$ 592,133	\$ -	\$ -	\$ 592,133
Equity Securities	209,283	-	-	209,283
Mutual Funds:				
US Corporate Equity	6,715,679	-	-	6,715,679
International Equity	1,200,729	-	-	1,200,729
Corporate Fixed Income	2,733,482	-	-	2,733,482
Mortgage-backed Fixed Income	895,378	-	-	895,378
Total	<u>\$ 12,346,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,346,684</u>

The Foundation's Level 1 securities are valued based on quoted market prices. The Foundation recognizes transfers between levels of the fair value hierarchy at the end of the period in which the events occur causing changes in the availability of fair value inputs. There were no transfers in or out of Level 1 during the years ended December 31, 2016 and 2015.

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 PLEDGES RECEIVABLE**

Pledges receivable as of December 31 are comprised of the following:

	2016	2015
Due in Less than One Year	\$ 553,311	\$ 552,298
Due in One to Five Years	455,780	946,590
Less: Allowance for Uncollectible Pledges	(42,214)	(63,586)
Less: Discount on Long-term Portion	(32,143)	(77,171)
Total	\$ 934,734	\$ 1,358,131

Pledges receivable due in excess of one year were discounted using rates ranging from 2.1% to 3.8% for the years ending December 31, 2016 and 2015. As of December 31, 2016 and 2015, \$400,000 and \$600,000, respectively, of the gross pledges receivable balance is due from APTA.

**NOTE 5 CASH SURRENDER VALUE OF LIFE INSURANCE POLICY**

The Foundation owned an insurance policy and was named beneficiary on the policy. The premiums on the insurance policy were funded by contributions from the insured and by dividends earned on the policy. In 2016, the policy was liquidated and the Foundation received the proceeds from the insurance policy. The cash surrender value of the life insurance policy totaled \$53,798 at December 31, 2015.

**NOTE 6 RELATED PARTIES**

Prior to January 1, 2010, the Foundation was affiliated with APTA through shared board members. APTA is a professional association exempt from Federal income tax under Internal Revenue Code Section 501(c)(6). APTA contributed \$163,750 in support of post professional doctoral scholarships and fellowships for the years ended December 31, 2016 and 2015. In addition, APTA contributed \$409,125 and \$419,400 in support of other research and general operations for the years ended December 31, 2016 and 2015, respectively. Such amounts are reflected within the contributions and grants revenue in the accompanying statements of activities.

The total amount of contributions gifted from board members represents \$36,948 and \$41,399 for the years ended December 31, 2016 and 2015, respectively. Pledges receivable from members of the Board of Trustees of the Foundation and the Board of Directors of APTA at December 31, 2016 and 2015, represented 4% of pledges receivable.

In conjunction with a management service agreement from APTA, at December 31, 2016 and 2015, \$252,636 and \$168,191, respectively, was due to APTA by the Foundation for personnel costs and other expenses incurred by APTA on behalf of the Foundation and are included within accounts payable and accrued expenses in the accompanying statements of financial position.

**FOUNDATION FOR PHYSICAL THERAPY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 6 RELATED PARTIES (CONTINUED)**

In 2016, APTA awarded a \$55,000 grant to the Foundation to fund an APTA Health Service Research Pipeline grant to be distributed in 2017. The grant is recorded as a \$55,000 grant receivable in the accompanying statements of financial position. Additionally, \$10,609 and \$16,178 at December 31, 2016 and 2015, respectively, was due to the Foundation from APTA for contributions and publication sales collected by APTA on behalf of the Foundation and are included within accounts receivable in the accompanying statements of financial position.

APTA pays certain expenses on behalf of the Foundation including salaries, benefits and taxes for dedicated Foundation employees on APTA's payroll. For these expenses, the Foundation reimbursed APTA \$709,052 and \$642,345 for the years ended December 31, 2016 and 2015, respectively.

In accordance with the management service agreement effective January 1, 2010, the Foundation compensated APTA \$81,600 for the years ending December 31, 2016 and 2015, in exchange for the provision of various services including: meeting coordination, communication services, information technology and accounting services among others.

American Physical Therapy Properties (A.P.T. Properties), an affiliated entity of APTA, provides office and parking space to the Foundation. Total occupancy expenses incurred for the years ended December 31, 2016 and 2015, were \$45,740 and \$42,817, respectively.

In 2016, two gifts totaling \$248,880 were transferred from The Physical Therapy Fund to the Foundation.

**NOTE 7 GRANTS AND AWARDS PAYABLE**

As of December 31, 2016 and 2015, the Foundation Board authorized and committed grants and awards to be disbursed in subsequent years. Amounts payable at December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Training Grant	\$ 750,000	\$ 757,500
Clinical Research Grants	360,000	180,000
Scholarships/Fellowships	174,250	171,545
Total	<u>\$ 1,284,250</u>	<u>\$ 1,109,045</u>

**FOUNDATION FOR PHYSICAL THERAPY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 8    CONDITIONAL PLEDGES**

As of December 31, 2015, in addition to funds already received and recognized as revenue by the Foundation, there were approximately \$128,600 in conditional pledges outstanding. Conditions related to these pledges had not been met. As of December 31, 2016, the Foundation had approximately \$334,300 in conditional pledges outstanding.

The Foundation received no contributions for which the condition had not been met as of December 31, 2016 and 2015.

**NOTE 9    TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Research	\$ 5,775,934	\$ 5,296,275
Education	988,746	1,046,422
Unrestricted Support	61,340	75,840
Total	<u>\$ 6,826,020</u>	<u>\$ 6,418,537</u>

Permanently restricted net assets consisted of the following:

	<u>2016</u>	<u>2015</u>
Research	\$ 4,658,707	\$ 4,583,015
Education	435,417	206,524
Total	<u>\$ 5,094,124</u>	<u>\$ 4,789,539</u>

Satisfaction of program restrictions consisted of the following:

	<u>2016</u>	<u>2015</u>
Research	\$ 800,958	\$ 670,144
Education	236,090	234,722
Total	<u>\$ 1,037,048</u>	<u>\$ 904,866</u>



**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 10 ENDOWMENTS**

The Foundation has donor restricted endowment funds established for a variety of purposes. As required by GAAP, net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the Foundation has interpreted 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. The Foundation interpreted Virginia's UPMIFA since the institutional funds are in Virginia. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. The Foundation considered all amounts earned on the endowment fund to be appropriated for current use, and amounts are released from restriction upon expenditure.

**Investment Policy**

The Foundation's endowment investment policy is focused on preservation of capital and amounts are invested in mutual funds and money market funds.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with the individual donor restricted endowment funds discussed above may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of December 31, 2016 and 2015, there were no deficiencies reported in unrestricted net assets.

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 10 ENDOWMENTS (CONTINUED)**

The following is a summary of changes in endowment funds subject to UPMIFA for the years ended December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2015, Restated	\$ -	\$ 3,004,286	\$ 4,746,407	\$ 7,750,693
Investment Return:				
Investment Income	-	138,024	-	138,024
Net Realized and Unrealized Losses	-	(217,261)	-	(217,261)
Total Investment Return	-	(79,237)	-	(79,237)
Contributions	-	31,930	43,132	75,062
Appropriations	-	(126,534)	-	(126,534)
Endowment Net Assets, December 31, 2015, Restated	<u>\$ -</u>	<u>\$ 2,830,445</u>	<u>\$ 4,789,539</u>	<u>\$ 7,619,984</u>
Endowment Net Assets, January 1, 2016	\$ -	\$ 2,830,445	\$ 4,789,539	\$ 7,619,984
Investment Return:				
Investment Income	-	155,331	-	155,331
Net Realized and Unrealized Gains	-	564,270	-	564,270
Total Investment Return	-	719,601	-	719,601
Contributions	-	196,295	304,585	500,880
Appropriations	-	(326,807)	-	(326,807)
Other Reclassifications	-	(31,778)	-	(31,778)
Endowment Net Assets, December 31, 2016	<u>\$ -</u>	<u>\$ 3,387,756</u>	<u>\$ 5,094,124</u>	<u>\$ 8,481,880</u>

**NOTE 11 IN-KIND SUPPORT**

In 2016 and 2015, the Foundation received in-kind support for its events. Individuals provided fundraising costs and other related items that the Foundation would have otherwise had to purchase. The fair market value of these services has been included in contribution revenue and the related expenses have been allocated to the relevant programs in the statements of activities. In-kind support amounted to \$37,698 and \$49,206 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 12 PRIOR PERIOD RESTATEMENT**

During the current period, the Foundation for Physical Therapy determined that the Supporting the Profession Endowment Fund contributed by American Physical Therapy Association, previously reported as board designated net assets would be more appropriately reported as permanently restricted net assets in the statements of financial position due to the fact that the Foundation is no longer a subsidiary of the American Physical Therapy Association. As a result, the 2015 financial statements have been restated for the impacts of this reporting change. The overall impact of the restatement is to decrease unrestricted net assets previously reported at January 1, 2015, by \$1,199,572, to increase temporarily restricted net assets previously reported at January 1, 2015, by \$199,572 and to increase permanently restricted net assets previously reported at January 1, 2015, by \$1,000,000.



**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

Board of Trustees  
Foundation for Physical Therapy, Inc.  
Alexandria, Virginia

We have audited the financial statements of Foundation for Physical Therapy, Inc. as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated April 10, 2017, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Arlington, Virginia  
April 10, 2017

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**

	Program Activities			Supporting Activities		Total
	Educational	Scientific Research	Awareness	Administrative and General	Fundraising	
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 33,500	\$ 33,500
Awards and Grants	198,000	847,500	-	-	2,752	1,048,252
Bank Processing Fees	-	-	-	12,238	-	12,238
Bad Debt	-	-	-	-	(20,722)	(20,722)
Staff Training and Continuing Education	250	250	-	-	1,780	2,280
Dues and Subscriptions	1,250	1,250	-	-	285	2,785
Employee Benefits	9,183	21,974	25,750	46,098	50,119	153,124
Fees and Service	180	5,283	-	547	657	6,667
Audiovisuals	-	1,070	-	-	12,556	13,626
Legal Expenses	1,000	2,250	-	1,500	250	5,000
Meeting Services	609	609	3,845	2,357	48,955	56,375
Occupancy	3,294	6,085	5,134	13,533	17,693	45,739
Payroll Taxes	2,449	5,970	6,867	12,319	13,575	41,180
Postage and Shipping	160	86	296	220	15,329	16,091
Printing and Publications	-	565	298	633	21,538	23,034
Professional Charges	26,157	26,157	-	79,497	20,400	152,211
Equipment Maintenance and Repair	4,559	4,559	-	-	-	9,118
Salaries	30,609	74,626	85,832	153,988	169,694	514,749
Stationery and Supplies	97	97	479	4,171	4,129	8,973
Software Maintenance	1,530	1,530	976	641	31,566	36,243
Insurance	-	-	-	3,597	-	3,597
Taxes and Registration Fees	-	-	-	168	11,998	12,166
Telephone and Fax	23	155	-	947	176	1,301
Travel	4,236	6,216	4,493	19,180	25,178	59,303
	<u>\$ 283,586</u>	<u>\$ 1,006,232</u>	<u>\$ 133,970</u>	<u>\$ 351,634</u>	<u>\$ 461,408</u>	<u>\$ 2,236,830</u>

**FOUNDATION FOR PHYSICAL THERAPY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**

	Program Activities			Supporting Activities		Total
	Educational	Scientific Research	Awareness	Administrative and General	Fundraising	
Advertising	\$ -	\$ -	\$ 9,558	\$ -	\$ 42,460	\$ 52,018
Awards and Grants	219,000	695,826	-	-	-	914,826
Bank Processing Fees	-	-	-	13,960	-	13,960
Bad Debt	-	-	-	-	(21,966)	(21,966)
Staff Training and Continuing Education	-	-	-	-	225	225
Dues and Subscriptions	1,250	1,250	-	-	285	2,785
Employee Benefits	10,329	15,046	28,566	39,062	45,651	138,654
Fees and Service	115	5,250	-	505	868	6,738
Audiovisuals	1,273	1,273	1,103	637	6,190	10,476
Legal Expenses	500	1,833	-	2,417	250	5,000
Meeting Services	1,513	1,660	7,577	5,265	45,868	61,883
Miscellaneous	-	-	-	-	2,300	2,300
Occupancy	3,516	4,692	6,624	13,153	14,832	42,817
Payroll Taxes	2,817	4,081	7,680	10,455	12,277	37,310
Postage and Shipping	257	129	277	363	10,321	11,347
Printing and Publications	34	73	5,676	1,261	22,332	29,376
Professional Charges	20,246	20,246	-	99,443	-	139,935
Equipment Maintenance and Repair	10,366	10,743	-	24	-	21,133
Salaries	35,219	51,016	95,999	130,684	153,463	466,381
Stationery and Supplies	100	100	2,001	3,076	2,498	7,775
Software Maintenance	918	918	2,345	468	25,136	29,785
Insurance	-	-	-	3,065	-	3,065
Taxes and Registration Fees	-	-	-	892	12,990	13,882
Telephone and Fax	272	3	33	596	59	963
Temporary Employment	-	-	-	5,327	-	5,327
Travel	4,223	5,686	7,619	17,563	16,007	51,098
	<u>\$ 311,948</u>	<u>\$ 819,825</u>	<u>\$ 175,058</u>	<u>\$ 348,216</u>	<u>\$ 392,046</u>	<u>\$ 2,047,093</u>