

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

**FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES - 2018	5
STATEMENT OF FUNCTIONAL EXPENSES - 2017	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Foundation for Physical Therapy Research, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, 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.

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 audits 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 Research, 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 Research, Inc. as of December 31, 2018 and 2017, 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.

Other Matters

Effect of Adopting New Accounting Standard

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Arlington, Virginia
April 16, 2019

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 1,562,189	\$ 2,439,113
Investments	18,278,285	18,612,925
Accounts Receivable	6,000	18,270
Pledges Receivable, Net	187,833	582,271
Other Assets	23,553	12,696
Total Assets	\$ 20,057,860	\$ 21,665,275
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 441,912	\$ 248,236
Grants and Awards Payable	1,652,036	1,400,238
Total Liabilities	2,093,948	1,648,474
NET ASSETS		
Without Donor Restrictions:		
Undesignated	446,840	425,783
Board Designated:		
Goergen Fund	1,855,968	1,984,523
Operating Reserve Fund	921,898	985,612
Total Without Donor Restrictions	3,224,706	3,395,918
With Donor Restrictions - Time and Purpose	6,011,325	8,181,538
With Donor Restrictions - Perpetuity	8,727,881	8,439,345
Total Net Assets	17,963,912	20,016,801
Total Liabilities and Net Assets	\$ 20,057,860	\$ 21,665,275

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Without Donor Restrictions	With Donor Restrictions - Time and Purpose	With Donor Restrictions - Perpetuity	Total	Without Donor Restrictions	With Donor Restrictions - Time and Purpose	With Donor Restrictions - Perpetuity	Total
REVENUE								
Contributions and Grants	\$ 1,077,744	\$ 551,170	\$ 288,536	\$ 1,917,450	\$ 1,180,044	\$ 474,825	\$ 3,345,221	\$ 5,000,090
Fundraising:								
Ticket Sales	70,250	-	-	70,250	78,950	-	-	78,950
Sponsors	92,100	-	-	92,100	66,500	4,801	-	71,301
Total Fundraising	162,350	-	-	162,350	145,450	4,801	-	150,251
Miscellaneous Income	-	-	-	-	1,204	5,000	-	6,204
Investment (Loss) Income	(195,396)	(1,009,153)	-	(1,204,549)	407,229	1,768,181	-	2,175,410
Net Assets Released from Restrictions:								
Satisfaction of Program Restrictions	1,712,230	(1,712,230)	-	-	805,689	(805,689)	-	-
Reclassification Between Funds	-	-	-	-	91,600	(91,600)	-	-
Total Revenue	2,756,928	(2,170,213)	288,536	875,251	2,631,216	1,355,518	3,345,221	7,331,955
EXPENSES								
Program Activities:								
Educational	206,540	-	-	206,540	429,674	-	-	429,674
Scientific Research	1,387,210	-	-	1,387,210	927,905	-	-	927,905
Awareness	293,874	-	-	293,874	246,770	-	-	246,770
Total Program Activities	1,887,624	-	-	1,887,624	1,604,349	-	-	1,604,349
Supporting Activities:								
Administrative and General	414,688	-	-	414,688	306,502	-	-	306,502
Fundraising	625,828	-	-	625,828	525,491	-	-	525,491
Total Supporting Activities	1,040,516	-	-	1,040,516	831,993	-	-	831,993
Total Expenses	2,928,140	-	-	2,928,140	2,436,342	-	-	2,436,342
CHANGE IN NET ASSETS	(171,212)	(2,170,213)	288,536	(2,052,889)	194,874	1,355,518	3,345,221	4,895,613
Net Assets - Beginning of Year	3,395,918	8,181,538	8,439,345	20,016,801	3,201,044	6,826,020	5,094,124	15,121,188
NET ASSETS - END OF YEAR	<u>\$ 3,224,706</u>	<u>\$ 6,011,325</u>	<u>\$ 8,727,881</u>	<u>\$ 17,963,912</u>	<u>\$ 3,395,918</u>	<u>\$ 8,181,538</u>	<u>\$ 8,439,345</u>	<u>\$ 20,016,801</u>

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Activities			Supporting Activities		Total
	Educational	Scientific Research	Awareness	Administrative and General	Fundraising	
Salaries	\$ 43,368	\$ 86,735	\$ 111,517	\$ 123,907	\$ 254,010	\$ 619,537
Employee Benefits	12,694	27,238	32,638	36,265	74,343	183,178
Payroll Taxes	3,469	5,087	8,921	9,913	20,321	47,711
Temporary Employment	-	-	-	-	15,509	15,509
Advertising	-	-	47,930	-	10,521	58,451
Audiovisuals	-	-	400	10,095	1,225	11,720
Awards and Grants	117,500	1,235,817	-	-	-	1,353,317
Bank Processing Fees	-	-	-	13,292	-	13,292
Dues and Subscriptions	1,250	1,051	-	465	-	2,766
Equipment Maintenance and Repair	4,173	4,173	-	2,999	-	11,345
Fees and Service	-	-	-	1,375	-	1,375
Insurance	-	-	-	3,584	-	3,584
Legal Expenses	-	-	-	35,188	-	35,188
Meeting Services	1,854	1,854	23,737	5,192	41,539	74,176
Miscellaneous	-	-	(109)	16,783	416	17,090
Occupancy	3,313	6,153	6,039	11,360	20,352	47,217
Postage and Shipping	-	42	980	7,062	6,928	15,012
Printing and Publications	-	-	15,375	738	25,698	41,811
Professional Charges	15,856	15,855	24,000	115,483	61,110	232,304
Software Maintenance	722	692	1,792	-	58,401	61,607
Staff Training and Continuing Education	-	(134)	2,530	-	278	2,674
Stationery and Supplies	-	-	8,750	6,676	6,645	22,071
Taxes and Registration Fees	-	-	-	89	5,944	6,033
Telephone and Fax	-	-	-	(6)	213	207
Travel	2,341	2,647	9,374	14,228	22,375	50,965
Total Functional Expenses	\$ 206,540	\$ 1,387,210	\$ 293,874	\$ 414,688	\$ 625,828	\$ 2,928,140

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Activities			Supporting Activities		Total
	Educational	Scientific Research	Awareness	Administrative and General	Fundraising	
Salaries	\$ 40,717	\$ 84,917	\$ 100,884	\$ 109,341	\$ 226,373	\$ 562,232
Employee Benefits	11,925	24,906	29,535	31,991	66,212	164,569
Payroll Taxes	3,224	6,774	8,093	8,783	18,104	44,978
Advertising	-	-	39,298	-	2,300	41,598
Awards and Grants	335,750	771,750	-	-	-	1,107,500
Audiovisuals	-	-	1,182	-	11,024	12,206
Bad Debt	-	-	-	-	(20,044)	(20,044)
Bank Processing Fees	-	-	-	12,991	-	12,991
Dues and Subscriptions	1,345	1,450	-	546	370	3,711
Equipment Maintenance and Repair	2,187	2,187	-	-	-	4,374
Insurance	-	-	-	2,698	-	2,698
Legal Expenses	500	750	-	3,952	378	5,580
Meeting Services	3,683	452	11,746	259	49,818	65,958
Miscellaneous	-	-	-	5,659	1,951	7,610
Occupancy	3,258	6,050	6,050	11,170	20,012	46,540
Postage and Shipping	113	216	814	2,788	11,453	15,384
Printing and Publications	446	470	903	845	24,493	27,157
Professional Charges	14,736	14,736	35,000	92,176	25,797	182,445
Software Maintenance	3,558	3,589	6,829	2,536	35,678	52,190
Staff Training and Continuing Education	-	200	-	2,031	643	2,874
Stationery and Supplies	40	40	1,451	3,644	3,007	8,182
Taxes and Registration Fees	-	-	-	69	12,064	12,133
Telephone and Fax	133	81	84	442	86	826
Travel	8,059	9,337	4,901	14,581	35,772	72,650
Total Functional Expenses	\$ 429,674	\$ 927,905	\$ 246,770	\$ 306,502	\$ 525,491	\$ 2,436,342

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,052,889)	\$ 4,895,613
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Permanently Restricted Contributions	(288,536)	(3,345,221)
Realized Gain on Sale of Investments	(361,493)	(290,203)
Unrealized Loss (Gain) on Investments	1,790,090	(1,600,883)
Bad Debt Expense (Gain)	3,948	(20,044)
Discount on Pledges Receivable	1	(18,398)
Changes in Assets and Liabilities:		
Accounts Receivable	12,270	40,047
Pledges Receivable	390,489	390,905
Grant Receivable	-	55,000
Other Assets	(10,857)	6,362
Accounts Payable and Accrued Expenses	193,676	(5,700)
Grants and Awards Payable	251,798	115,988
Net Cash Provided (Used) by Operating Activities	(71,503)	223,466
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(6,927,095)	(6,227,367)
Proceeds from the Sale of Investments	5,833,138	2,905,105
Net Cash Used by Investing Activities	(1,093,957)	(3,322,262)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently Restricted Contributions	288,536	3,345,221
Net Cash Provided by Financing Activities	288,536	3,345,221
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(876,924)	246,425
Cash and Cash Equivalents - Beginning of Year	2,439,113	2,192,688
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,562,189	\$ 2,439,113
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donated Stock	\$ 46,439	\$ 48,802

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Foundation for Physical Therapy Research, Inc. (the Foundation) is a nonprofit 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 (IRC) and is classified as a public charity under Section 509(a)(2) of the IRC. 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, and 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 RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent net assets used for the payment of scholarships and awards without donor restrictions 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.

Net Assets With Donor Restrictions – Time and Purpose

Net assets with donor restrictions – time and purposes represent resources resulting from donor-restricted contributions, selected interest, dividends, and certain unrealized and realized gains (losses) earned on funds held in perpetuity. Revenue is recognized as without donor restrictions 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.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets With Donor Restrictions – Perpetuity

Net assets with donor restrictions – perpetuity 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 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 use without donor restrictions 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 \$58,451 and \$41,598 for the years ended December 31, 2018 and 2017, 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.

Scientific 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 RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 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 stock, 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.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

Liquidity

The following reflects the Foundation's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside as donor/Board designated assets that could be drawn upon if the governing Board approves that action.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,562,189	\$ 2,439,113
Investments	18,278,285	18,612,925
Accounts receivable	6,000	18,270
Pledges receivable, net	187,833	582,271
less amounts expecting collection in excess of one year	<u>(155,027)</u>	<u>(130,906)</u>
Financial assets available	19,879,279	21,521,673
Less assets available for general expenditures within one year due to:		
Board designated net assets	(2,777,866)	(2,970,135)
With donor restrictions - time and purpose	(6,011,325)	(8,181,538)
With donor restrictions - perpetuity	(8,727,881)	(8,439,345)
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,362,207</u>	<u>\$ 1,930,655</u>

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 Organization has a goal to maintain an operating reserve in an amount equal to six to eight months of average monthly operating costs, which exclude net assets with donor restriction – time and purpose, in-kind and other non-cash expenses. Such average monthly costs were approximately \$240,000 and \$200,000 for the years ended December 31 2018 and 2017, respectively. The Foundation had nearly seven months and approximately nine months of financial assets available to meet its average monthly operating costs for the years ended December 31, 2018 and 2017, respectively.

Adoption of Recent Accounting Pronouncement

The Foundation adopted the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented. There has been no net asset impact as a result of this application.

**FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications were made to the 2017 financial statements in order to conform to the 2018 presentation. These reclassifications had no effect on previously reported change in net assets or net asset amounts.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 16, 2019, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and Money Markets	\$ 59,182	\$ 1,895,065
Mutual Funds:		
U.S. Corporate Equity	9,114,828	10,473,293
International Equity	2,730,302	1,646,954
Corporate Fixed Income	5,229,363	3,599,744
Mortgage-Backed Fixed Income	1,144,610	997,869
Total	<u>\$ 18,278,285</u>	<u>\$ 18,612,925</u>

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 INVESTMENTS (CONTINUED)

Net investment earnings for the years ended December 31, 2018 and 2017, consisted of the following:

	2018	2017
Interest and Dividends	\$ 234,920	\$ 293,033
Realized Gain on Sale of Investments	361,493	290,203
Unrealized (Loss) Gain on Investments	(1,790,090)	1,600,883
Investment Fees	(10,872)	(8,709)
Total	<u>\$ (1,204,549)</u>	<u>\$ 2,175,410</u>

Fair Value Measurements

The following tables show the Foundation's investment categorization in accordance with the accounting principles generally accepted in the United States of America fair value hierarchy as of December 31:

	2018			Total
	Level 1	Level 2	Level 3	
Cash and Money Markets	\$ 59,182	\$ -	\$ -	\$ 59,182
Mutual Funds:				
U.S. Corporate Equity	9,114,828	-	-	9,114,828
International Equity	2,730,302	-	-	2,730,302
Corporate Fixed Income	5,229,363	-	-	5,229,363
Mortgage-Backed Fixed Income	1,144,610	-	-	1,144,610
Total	<u>\$ 18,278,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,278,285</u>

	2017			Total
	Level 1	Level 2	Level 3	
Cash and Money Markets	\$ 1,895,065	\$ -	\$ -	\$ 1,895,065
Mutual Funds:				
U.S. Corporate Equity	10,473,293	-	-	10,473,293
International Equity	1,646,954	-	-	1,646,954
Corporate Fixed Income	3,599,744	-	-	3,599,744
Mortgage-Backed Fixed Income	997,869	-	-	997,869
Total	<u>\$ 18,612,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,612,925</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, 2018 and 2017.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 PLEDGES RECEIVABLE

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

	2018	2017
Due in Less than One Year	\$ 155,027	\$ 130,906
Due in One to Five Years	50,500	487,280
Less: Allowance for Uncollectible Pledges	(3,948)	(22,170)
Less: Discount on Long-term Portion	(13,746)	(13,745)
Total	<u>\$ 187,833</u>	<u>\$ 582,271</u>

Pledges receivable due in excess of one year were discounted using rates ranging from 3.65% to 3.80% for the years ended December 31, 2018 and 2017. As of December 31, 2018 and 2017, \$-0- and \$200,000, respectively, of the gross pledges receivable balance is due from APTA.

NOTE 5 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 IRC Section 501(c)(6). APTA contributed \$163,750 in support of post-professional doctoral scholarships and fellowships for the years ended December 31, 2018 and 2017. In addition, APTA contributed \$400,000 and \$412,500 in support of other research and general operations for the years ended December 31, 2018 and 2017, 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 \$47,613 and \$3,082,530 for the years ended December 31, 2018 and 2017, respectively. Pledges receivable from members of the board of trustees of the Foundation and the board of directors of APTA at December 31, 2018 and 2017, represented 5% and 7% of pledges receivable, respectively.

In conjunction with a management service agreement from APTA, at December 31, 2018 and 2017, \$432,134 and \$218,134, 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.

\$6,000 and \$18,270 at December 31, 2018 and 2017, 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.

**FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 RELATED PARTIES (CONTINUED)

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 \$850,424 and \$771,777 for the years ended December 31, 2018 and 2017, respectively.

In accordance with the management service agreement effective January 1, 2010, the Foundation compensated APTA \$86,570 and \$84,048 for the years ended December 31, 2018 and 2017, respectively, 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, 2018 and 2017, were \$47,331 and \$46,540, respectively.

NOTE 6 GRANTS AND AWARDS PAYABLE

As of December 31, 2018 and 2017, the Foundation Board authorized and committed grants and awards to be disbursed in subsequent years. Amounts payable at December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Clinical Research Grants	\$ 1,478,036	\$ 1,129,488
Scholarships/Fellowships	174,000	270,750
Total	<u>\$ 1,652,036</u>	<u>\$ 1,400,238</u>

NOTE 7 CONDITIONAL PLEDGES

As of December 31, 2017, in addition to funds already received and recognized as revenue by the Foundation, there was approximately \$246,000 in conditional pledges outstanding. Conditions related to these pledges had not been met. As of December 31, 2018, the Foundation had no conditional pledges outstanding.

The Foundation received no contributions for which the condition had not been met as of December 31, 2018 and 2017.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions – time and purpose were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Research	\$ 4,257,350	\$ 6,462,660
Education	1,692,635	1,657,538
Time Restricted	61,340	61,340
Total	<u>\$ 6,011,325</u>	<u>\$ 8,181,538</u>

Net assets with donor restrictions – perpetuity consisted of the following:

	<u>2018</u>	<u>2017</u>
Research	\$ 7,916,667	\$ 4,749,288
Education	811,214	3,690,057
Total	<u>\$ 8,727,881</u>	<u>\$ 8,439,345</u>

Satisfaction of program restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Research	\$ 1,191,820	\$ 726,273
Education	520,410	79,416
Total	<u>\$ 1,712,230</u>	<u>\$ 805,689</u>

NOTE 9 ENDOWMENTS

The Foundation has donor-restricted endowment funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, 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 net assets in perpetuity (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts donated to the endowment in perpetuity, and (c) accumulations to the endowment in perpetuity 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 net assets 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 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.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 ENDOWMENTS (CONTINUED)

In addition to earnings on funds held in perpetuity that are not yet spent, the net assets with donor restrictions – time and purpose balance reflected in this disclosure also contains time and purpose contributions from those donors that contribute to the corpus held in perpetuity. These time and purpose contributions are released as expended.

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 accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions – time and purpose. As of December 31, 2018 and 2017, there were no deficiencies reported in net assets with donor restrictions – time and purpose.

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

	Without Donor Restrictions	With Donor Restrictions - Time and Purpose	With Donor Restrictions - Perpetuity	Total
Endowment Net Assets - January 1, 2017	\$ -	\$ 3,387,756	\$ 5,094,124	\$ 8,481,880
Investment Return:				
Investment Income	-	175,895	-	175,895
Net Realized and Unrealized Gains	-	1,300,994	-	1,300,994
Total Investment Return	-	1,476,889	-	1,476,889
Contributions	-	112,548	3,345,221	3,457,769
Appropriations	-	(321,355)	-	(321,355)
Endowment Net Assets - December 31, 2017	<u>\$ -</u>	<u>\$ 4,655,838</u>	<u>\$ 8,439,345</u>	<u>\$ 13,095,183</u>
Endowment Net Assets - January 1, 2018	\$ -	\$ 4,655,838	\$ 8,439,345	\$ 13,095,183
Investment Return:				
Investment Income	-	150,255	-	150,255
Net Realized and Unrealized Losses	-	(1,016,218)	-	(1,016,218)
Total Investment Return	-	(865,963)	-	(865,963)
Contributions	-	140,079	288,536	428,615
Appropriations	-	(797,097)	-	(797,097)
Endowment Net Assets - December 31, 2018	<u>\$ -</u>	<u>\$ 3,132,857</u>	<u>\$ 8,727,881</u>	<u>\$ 11,860,738</u>

NOTE 10 IN-KIND SUPPORT

In 2018 and 2017, 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 \$50,100 and \$38,005 for the years ended December 31, 2018 and 2017, respectively.