

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018



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**FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Change in Accounting Principle

As described in Note 1, the Foundation adopted Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. The accounting change has not been retrospectively applied to prior periods presented but applied prospectively. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Arlington, Virginia
April 20, 2020

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 1,140,174	\$ 1,562,189
Investments	22,094,187	18,278,285
Accounts Receivable	8,626	6,000
Pledges Receivable, Net	148,400	187,833
Other Assets	7,154	23,553
Total Assets	\$ 23,398,541	\$ 20,057,860
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 309,551	\$ 441,912
Grants and Awards Payable	1,521,298	1,652,036
Total Liabilities	1,830,849	2,093,948
NET ASSETS		
Without Donor Restrictions:		
Undesignated	447,167	446,840
Board Designated:		
Goergen Fund	1,954,884	1,855,968
Operating Reserve Fund	960,020	921,898
Total Without Donor Restrictions	3,362,071	3,224,706
With Donor Restrictions - Time and Purpose	9,097,053	6,011,325
With Donor Restrictions - Perpetuity	9,108,568	8,727,881
Total Net Assets	21,567,692	17,963,912
Total Liabilities and Net Assets	\$ 23,398,541	\$ 20,057,860

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	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	\$ 1,186,148	\$ 577,185	\$ 380,687	\$ 2,144,020	\$ 1,077,744	\$ 551,170	\$ 288,536	\$ 1,917,450
Fundraising:								
Ticket Sales	85,594	-	-	85,594	70,250	-	-	70,250
Sponsors	62,500	-	-	62,500	92,100	-	-	92,100
Total Fundraising	148,094	-	-	148,094	162,350	-	-	162,350
Investment Income (Loss)	609,343	3,186,053	-	3,795,396	(195,396)	(1,009,153)	-	(1,204,549)
Net Assets Released from Restrictions:								
Satisfaction of Program Restrictions	677,510	(677,510)	-	-	1,712,230	(1,712,230)	-	-
Total Revenue	2,621,095	3,085,728	380,687	6,087,510	2,756,928	(2,170,213)	288,536	875,251
EXPENSES								
Program Activities:								
Educational	296,052	-	-	296,052	206,540	-	-	206,540
Scientific Research	964,633	-	-	964,633	1,387,210	-	-	1,387,210
Awareness	235,841	-	-	235,841	293,874	-	-	293,874
Total Program Activities	1,496,526	-	-	1,496,526	1,887,624	-	-	1,887,624
Supporting Activities:								
Administrative and General	466,260	-	-	466,260	414,688	-	-	414,688
Fundraising	520,944	-	-	520,944	625,828	-	-	625,828
Total Supporting Activities	987,204	-	-	987,204	1,040,516	-	-	1,040,516
Total Expenses	2,483,730	-	-	2,483,730	2,928,140	-	-	2,928,140
CHANGE IN NET ASSETS	137,365	3,085,728	380,687	3,603,780	(171,212)	(2,170,213)	288,536	(2,052,889)
Net Assets - Beginning of Year	3,224,706	6,011,325	8,727,881	17,963,912	3,395,918	8,181,538	8,439,345	20,016,801
NET ASSETS - END OF YEAR	<u>\$ 3,362,071</u>	<u>\$ 9,097,053</u>	<u>\$ 9,108,568</u>	<u>\$ 21,567,692</u>	<u>\$ 3,224,706</u>	<u>\$ 6,011,325</u>	<u>\$ 8,727,881</u>	<u>\$ 17,963,912</u>

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Activities			Supporting Activities		Total
	Educational	Scientific Research	Awareness	Administrative and General	Fundraising	
Salaries	\$ 46,752	\$ 91,718	\$ 115,627	\$ 128,474	\$ 263,372	\$ 645,943
Employee Benefits	13,090	26,180	33,660	37,400	76,670	187,000
Payroll Taxes	3,597	7,195	9,250	10,278	21,070	51,390
Advertising	-	-	23,500	7,335	-	30,835
Audiovisuals	-	-	264	27,801	1,036	29,101
Awards and Grants	188,750	791,762	-	-	-	980,512
Bank Processing Fees	-	-	-	12,404	-	12,404
Doubtful Accounts Expense	-	-	-	(3,348)	-	(3,348)
Dues and Subscriptions	1,250	1,250	-	-	-	2,500
Exhibit Fees	-	-	-	2,033	-	2,033
Equipment Maintenance and Repair	2,097	2,097	-	-	-	4,194
Insurance	-	-	-	1,794	-	1,794
Legal Expenses	-	625	-	8,803	-	9,428
Meeting Services	1,781	1,781	22,795	4,986	39,891	71,234
Miscellaneous	-	-	-	1,252	-	1,252
Occupancy	3,414	6,339	6,339	11,702	20,966	48,760
Postage and Shipping	-	-	736	8,677	3,160	12,573
Printing and Publications	-	-	8,474	12,608	26,658	47,740
Prizes	-	-	-	-	310	310
Professional Charges	34,754	34,754	-	126,919	-	196,427
Small Office Furniture/Equipment	-	-	-	232	-	232
Software Maintenance	-	-	115	-	33,276	33,391
Staff Training and Continuing Education	-	-	197	45	3,082	3,324
Stationery and Supplies	115	115	12,720	9,709	1,644	24,303
Subscription/Resource Materials	-	-	-	6,394	-	6,394
Taxes and Registration Fees	-	-	-	285	14,881	15,166
Telephone and Fax	-	-	400	613	-	1,013
Travel	452	817	1,764	49,864	14,928	67,825
Total Functional Expenses	\$ 296,052	\$ 964,633	\$ 235,841	\$ 466,260	\$ 520,944	\$ 2,483,730

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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,603,780	\$ (2,052,889)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Permanently Restricted Contributions	(380,687)	(288,536)
Realized Loss (Gain) on Sale of Investments	122,949	(361,493)
Unrealized (Gain) Loss on Investments	(3,127,511)	1,790,090
Bad Debt (Gain) Expense	(3,348)	3,948
Discount on Pledges Receivable	(8,824)	1
Changes in Assets and Liabilities:		
Accounts Receivable	(2,626)	12,270
Pledges Receivable	51,605	390,489
Other Assets	16,399	(10,857)
Accounts Payable and Accrued Expenses	(132,361)	193,676
Grants and Awards Payable	(130,738)	251,798
Net Cash Provided (Used) by Operating Activities	8,638	(71,503)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,446,337)	(6,927,095)
Proceeds from the Sale of Investments	1,634,997	5,833,138
Net Cash Used by Investing Activities	(811,340)	(1,093,957)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently Restricted Contributions	380,687	288,536
Net Cash Provided by Financing Activities	380,687	288,536
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(422,015)	(876,924)
Cash and Cash Equivalents - Beginning of Year	1,562,189	2,439,113
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,140,174	\$ 1,562,189
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donated Stock	\$ 20,502	\$ 46,439

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 AND 2018

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 net assets with restrictions –time and purpose based upon the ratio of total net assets with restrictions 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, 2019 AND 2018

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 fully 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 \$30,835 and \$58,451 for the years ended December 31, 2019 and 2018, 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, 2019 AND 2018

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, 2019 AND 2018

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, 2019 and 2018, 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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,140,174	\$ 1,562,189
Investments	22,094,187	18,278,285
Accounts receivable	8,626	6,000
Pledges receivable, net	148,400	187,833
less amounts expecting collection in excess of one year	<u>(93,666)</u>	<u>(50,500)</u>
Financial assets available	23,297,721	19,983,807
Less assets not available for general expenditures within one year due to:		
Board designated net assets	(2,914,904)	(2,777,866)
With donor restrictions - time and purpose	(9,097,053)	(6,011,325)
With donor restrictions - perpetuity	(9,108,568)	(8,727,881)
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,177,196</u>	<u>\$ 2,466,735</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 \$146,000 and \$97,150 for the years ended December 31 2019 and 2018, respectively. The Foundation had nearly fifteen months and approximately twenty five months of financial assets available to meet its average monthly operating costs for the years ended December 31, 2019 and 2018, respectively.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principles

In June 2018, the Financial Standards Board (FASB) issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Our financial statements reflect the application of ASU 2018-08 beginning January 1, 2019. The new guidance does not require prior period results to be restated.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 20, 2020, the date the financial statements were available to be issued. During the period from January 1, 2020, through April 20, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the financial statements as of and for the year ended December 31, 2019. Subsequent to year end, management obtained a Payroll Protection Program loan for approximately \$160,000. Under the program, most or all of the amount received can be forgiven, but that amount cannot be determined at this time.

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.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 INVESTMENTS

The Foundation's investments are stated at fair value and consist of the following at December 31, 2019 and 2018:

	2019	2018
Cash and Money Markets	\$ 181,789	\$ 59,182
Mutual Funds:		
U.S. Corporate Equity	13,337,930	9,114,828
International Equity	1,619,534	2,730,302
Corporate Fixed Income	5,742,038	5,229,363
Mortgage-Backed Fixed Income	1,212,896	1,144,610
Total	<u>\$ 22,094,187</u>	<u>\$ 18,278,285</u>

Net investment earnings for the years ended December 31, 2019 and 2018, consisted of the following:

	2019	2018
Interest and Dividends	\$ 805,525	\$ 234,920
Realized (Loss) Gain on Sale of Investments	(122,949)	361,493
Unrealized Gain (Loss) on Investments	3,127,511	(1,790,090)
Investment Fees	(14,691)	(10,872)
Total	<u>\$ 3,795,396</u>	<u>\$ (1,204,549)</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:

	2019			
	Level 1	Level 2	Level 3	Total
Cash and Money Markets	\$ 181,789	\$ -	\$ -	\$ 181,789
Mutual Funds:				
U.S. Corporate Equity	13,337,930	-	-	13,337,930
International Equity	1,619,534	-	-	1,619,534
Corporate Fixed Income	5,742,038	-	-	5,742,038
Mortgage-Backed Fixed Income	1,212,896	-	-	1,212,896
Total	<u>\$ 22,094,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,094,187</u>
	2018			
	Level 1	Level 2	Level 3	Total
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>

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, 2019 and 2018.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 PLEDGES RECEIVABLE

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

	2019	2018
Due in Less than One Year	\$ 60,256	\$ 155,027
Due in One to Five Years	93,666	50,500
Less: Allowance for Uncollectible Pledges	(600)	(3,948)
Less: Discount on Long-term Portion	(4,922)	(13,746)
Total	<u>\$ 148,400</u>	<u>\$ 187,833</u>

Pledges receivable due in excess of one year were discounted using rates ranging from 3.00% to 3.80% for the years ended December 31, 2019 and 2018.

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, 2019 and 2018. In addition, APTA contributed \$407,500 and \$400,000 in support of other research and general operations for the years ended December 31, 2019 and 2018, 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 \$46,809 and \$47,613 for the years ended December 31, 2019 and 2018, respectively. Pledges receivable from members of the board of trustees of the Foundation and the board of directors of APTA at December 31, 2019 and 2018, represented 2% and 5% of pledges receivable, respectively.

In conjunction with a management service agreement from APTA, at December 31, 2019 and 2018, \$278,680 and \$432,134, 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.

\$5,495 and \$6,000 at December 31, 2019 and 2018, 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 \$880,758 and \$850,424 for the years ended December 31, 2019 and 2018, respectively.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
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NOTE 5 RELATED PARTIES (CONTINUED)

In accordance with the management service agreement effective January 1, 2010, the Foundation compensated APTA \$89,166 and \$86,570 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, were \$48,759 and \$47,331, respectively.

NOTE 6 GRANTS AND AWARDS PAYABLE

As of December 31, 2019 and 2018, the Foundation Board authorized and committed grants and awards to be disbursed in subsequent years. Amounts payable at December 31, 2019 and 2018, are as follows:

	2019	2018
Clinical Research Grants	\$ 1,330,048	\$ 1,478,036
Scholarships/Fellowships	191,250	174,000
Total	\$ 1,521,298	\$ 1,652,036

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Research	\$ 6,900,738	\$ 4,257,350
Education	2,083,108	1,692,635
Time Restricted	113,207	61,340
Total	\$ 9,097,053	\$ 6,011,325

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

	2019	2018
Research	\$ 7,920,764	\$ 7,916,667
Education	1,187,804	811,214
Total	\$ 9,108,568	\$ 8,727,881

**FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Satisfaction of program restrictions consisted of the following:

	2019	2018
Research	\$ 413,760	\$ 1,191,820
Education	263,750	520,410
Total	\$ 677,510	\$ 1,712,230

NOTE 8 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.

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.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 ENDOWMENTS (CONTINUED)

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, 2019 and 2018, 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, 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>
Endowment Net Assets - January 1, 2019	\$ -	\$ 3,132,857	\$ 8,727,881	\$ 11,860,738
Investment Return:				
Investment Income	-	561,676	-	561,676
Net Realized and Unrealized Gains	-	2,133,967	-	2,133,967
Total Investment Return	-	2,695,643	-	2,695,643
Contributions	-	336,942	380,687	717,629
Appropriations	-	(272,012)	-	(272,012)
Endowment Net Assets - December 31, 2019	<u>\$ -</u>	<u>\$ 5,893,430</u>	<u>\$ 9,108,568</u>	<u>\$ 15,001,998</u>

NOTE 9 IN-KIND SUPPORT

In 2019 and 2018, 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 \$52,030 and \$50,100 for the years ended December 31, 2019 and 2018, respectively.