

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021



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**FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
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YEARS ENDED DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Physical Therapy Research, Inc. as of December 31, 2022 and 2021, and the change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foundation for Physical Therapy Research, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in Note 1 to the financial statements, Foundation for Physical Therapy Research, Inc adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation for Physical Therapy Research, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

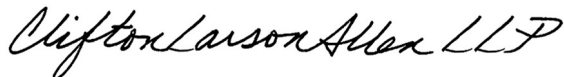
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Foundation for Physical Therapy Research, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation for Physical Therapy Research, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Arlington, Virginia
April 19, 2023

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 439,072	\$ 779,186
Investments	23,044,752	27,442,363
Accounts Receivable	7,248	91,683
Pledges Receivable, Net	274,045	81,502
Other Assets	27,620	25,040
Total Assets	\$ 23,792,737	\$ 28,419,774
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 18,572	\$ 74,287
Grants and Awards Payable	1,411,250	1,220,817
Total Liabilities	1,429,822	1,295,104
NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,300,258	1,060,677
Board Designated:		
Goergen Fund	1,768,986	2,407,042
Operating Reserve Fund	922,713	1,249,686
Fund for Excellence	22,287	25,000
Total Without Donor Restrictions	4,014,244	4,742,405
With Donor Restrictions - Time and Purpose	8,739,774	12,833,873
With Donor Restrictions - Perpetuity	9,608,897	9,548,392
Total Net Assets	22,362,915	27,124,670
Total Liabilities and Net Assets	\$ 23,792,737	\$ 28,419,774

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	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	\$ 1,166,959	\$ 491,045	\$ 60,505	\$ 1,718,509	\$ 1,136,960	\$ 75,726	\$ 340,537	\$ 1,553,223
Donated Services	216,025	-	-	216,025	211,425	-	-	211,425
Fund Raising:								
Sponsors	41,100	-	-	41,100	70,100	-	-	70,100
Total Fund Raising	41,100	-	-	41,100	70,100	-	-	70,100
Investment (Loss) Income	(720,181)	(3,572,871)	-	(4,293,052)	688,822	3,255,066	-	3,943,888
Net Assets Released from Restrictions:								
Satisfaction of Program Restrictions	1,012,273	(1,012,273)	-	-	807,790	(807,790)	-	-
Total Revenue	1,716,176	(4,094,099)	60,505	(2,317,418)	2,915,097	2,523,002	340,537	5,778,636
EXPENSES								
Program Activities:								
Educational	422,704	-	-	422,704	367,011	-	-	367,011
Scientific Research	909,341	-	-	909,341	750,134	-	-	750,134
Awareness	437,291	-	-	437,291	407,018	-	-	407,018
Total Program Activities	1,769,336	-	-	1,769,336	1,524,163	-	-	1,524,163
Supporting Activities:								
Administrative and General	320,352	-	-	320,352	271,460	-	-	271,460
Fund Raising	354,649	-	-	354,649	378,721	-	-	378,721
Total Supporting Activities	675,001	-	-	675,001	650,181	-	-	650,181
Total Expenses	2,444,337	-	-	2,444,337	2,174,344	-	-	2,174,344
CHANGE IN NET ASSETS	(728,161)	(4,094,099)	60,505	(4,761,755)	740,753	2,523,002	340,537	3,604,292
Net Assets - Beginning of Year	4,742,405	12,833,873	9,548,392	27,124,670	4,001,652	10,310,871	9,207,855	23,520,378
NET ASSETS - END OF YEAR	<u>\$ 4,014,244</u>	<u>\$ 8,739,774</u>	<u>\$ 9,608,897</u>	<u>\$ 22,362,915</u>	<u>\$ 4,742,405</u>	<u>\$ 12,833,873</u>	<u>\$ 9,548,392</u>	<u>\$ 27,124,670</u>

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Activities			Supporting Activities		Total
	Educational	Scientific Research	Awareness	Administrative and General	Fund Raising	
Salaries	\$ 58,111	\$ 58,111	\$ 232,445	\$ 40,678	\$ 191,767	\$ 581,112
Employee Benefits	16,271	16,271	65,085	11,390	53,695	162,712
Payroll Taxes	4,649	4,649	18,596	3,254	15,341	46,489
Temporary Employment	-	-	-	5,320	-	5,320
Advertising	-	-	26,195	-	-	26,195
Audiovisuals	-	-	2,295	536	1,552	4,383
Awards and Grants	325,000	812,107	-	-	-	1,137,107
Bank Processing Fees	-	-	-	12,950	-	12,950
Dues and Subscriptions	1,337	87	-	71	-	1,495
Insurance	-	-	-	3,382	-	3,382
Legal Expenses	1,000	1,000	-	3,348	-	5,348
Meeting Services	360	360	19,174	3,068	1,278	24,240
Miscellaneous	-	-	-	7,831	-	7,831
Occupancy	8,764	8,764	17,528	5,843	17,527	58,426
Postage and Shipping	-	-	211	703	5,261	6,175
Printing and Publications	-	-	7,390	833	4,752	12,975
Professional Charges	603	603	33,000	198,666	435	233,307
Small Office Furniture/Equipment	-	-	-	-	464	464
Software Maintenance	5,794	5,794	160	4,149	38,559	54,456
Staff Training and Continuing Education	-	-	295	1,569	690	2,554
Stationery and Supplies	100	449	1,165	1,560	3,360	6,634
Subscription/Resource Materials	-	-	5,657	240	-	5,897
Taxes and Registration Fees	-	-	-	113	10,142	10,255
Travel	715	1,146	8,095	14,848	9,826	34,630
Total Functional Expenses	\$ 422,704	\$ 909,341	\$ 437,291	\$ 320,352	\$ 354,649	\$ 2,444,337

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Activities			Supporting Activities		Total
	Educational	Scientific Research	Awareness	Administrative and General	Fund Raising	
Salaries	\$ 81,578	\$ 81,578	\$ 238,458	\$ 43,927	\$ 181,980	\$ 627,521
Employee Benefits	22,650	22,650	66,208	12,196	50,527	174,231
Payroll Taxes	6,526	6,526	19,077	3,514	14,559	50,202
Temporary Employment	540	540	1,080	2,160	-	4,320
Equipment Maintenance and Repair	787	787	-	-	-	1,574
Advertising	-	-	22,120	-	6,865	28,985
Awards and Grants	226,373	609,306	-	-	-	835,679
Bank Processing Fees	293	293	-	12,043	-	12,629
Doubtful Accounts Expense	-	-	-	(135)	-	(135)
Dues and Subscriptions	625	625	-	-	-	1,250
Insurance	-	-	-	2,502	-	2,502
Legal Expenses	2,000	2,000	-	1,000	-	5,000
Meeting Services	-	-	10,923	2,357	9,269	22,549
Occupancy	8,550	8,550	14,250	5,700	19,950	57,000
Postage and Shipping	-	-	664	1,509	7,078	9,251
Printing and Publications	-	-	1,989	266	29,653	31,908
Professional Charges	14,276	14,276	21,097	153,467	8,342	211,458
Small Office Furniture/Equipment	-	-	-	-	677	677
Software Maintenance	2,813	2,813	7,034	11,474	41,765	65,899
Stationery and Supplies	-	190	2,262	1,956	4,442	8,850
Taxes and Registration Fees	-	-	-	9,067	-	9,067
Travel	-	-	1,856	8,457	3,614	13,927
Total Functional Expenses	\$ 367,011	\$ 750,134	\$ 407,018	\$ 271,460	\$ 378,721	\$ 2,174,344

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (4,761,755)	\$ 3,604,292
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities		
Contributions with Donor Restrictions - Perpetuity	(60,505)	(340,537)
Realized Gain on Sale of Investments	(534,246)	(2,123,932)
Unrealized Loss (Gain) on Investments	5,236,073	(595,343)
Bad Debt Gain	-	(135)
Discount on Pledges Receivable	7,770	(694)
Changes in Assets and Liabilities:		
Accounts Receivable	84,435	(82,199)
Pledges Receivable	(200,313)	3,647
Other Assets	(2,580)	(15,567)
Accounts Payable and Accrued Expenses	(55,715)	(225,298)
Grants and Awards Payable	190,433	(156,250)
Net Cash (Used) Provided by Operating Activities	<u>(96,403)</u>	<u>67,984</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,145,648)	(9,700,267)
Proceeds from the Sale of Investments	841,432	9,259,820
Net Cash Used by Investing Activities	<u>(304,216)</u>	<u>(440,447)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions with Donor Restrictions - Perpetuity	60,505	340,537
Net Cash Provided by Financing Activities	<u>60,505</u>	<u>340,537</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(340,114)	(31,926)
Cash and Cash Equivalents - Beginning of Year	<u>779,186</u>	<u>811,112</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 439,072</u>	<u>\$ 779,186</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donated Stock	<u>\$ 50,408</u>	<u>\$ 50,767</u>

See accompanying Notes to Financial Statements.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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, Operating Reserve Fund, and the Fund for Excellence.

The Goergeny Fund was established as a designated fund by the board to support the Foundation's research program. 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. The Fund for Excellence was designated by the board to provide an ongoing stream of net assets without restrictions to support the Foundation's operations.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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.

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 \$26,195 and \$28,985 for the years ended December 31, 2022 and 2021, 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.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

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.

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.

Fund Raising

Expenses for fund raising 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.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 439,072	\$ 779,186
Investments	23,044,752	27,442,363
Accounts Receivable	7,248	91,683
Pledges Receivable, Net	274,045	81,502
Less: Amounts Expecting Collection in Excess of One Year	<u>(174,324)</u>	<u>(55,086)</u>
Financial Assets Available	23,590,793	28,339,648
Less: Assets not Available for General Expenditures within One Year due to:		
Board Designated Net Assets	(2,713,986)	(3,681,728)
With Donor Restrictions - Time and Purpose	(8,739,774)	(12,833,873)
With Donor Restrictions - Perpetuity	<u>(9,608,897)</u>	<u>(9,548,392)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,528,136</u>	<u>\$ 2,275,655</u>

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity (Continued)

Board-designated net assets consist of bequests and other gifts received which the board has designated for the Goergeny Fund, Operating Reserve Fund, and Fund for Excellence. 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 noncash expenses. Such average monthly costs were approximately \$88,000 and \$93,000 for the years ended December 31 2022 and 2021, respectively. The Foundation had approximately 29 months and nearly 25 months of financial assets available to meet its average monthly operating costs for the years ended December 31, 2022 and 2021, respectively.

Adoption of Accounting Standards Update

During the year ended December 31, 2022, the Foundation adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities Contributed Nonfinancial Assets*. This ASU was issued to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets are defined within the ASU as including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments do not change the recognition and measurement of nonfinancial assets. The adoption of this ASU was applied on a retrospective basis and did not materially impact the Foundation's financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 19, 2023, the date the financial statements were available to be issued.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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:

	<u>2022</u>	<u>2021</u>
Cash and Money Markets	\$ 1,112,329	\$ 808,946
Mutual Funds:		
U.S. Corporate Equity	13,473,079	16,638,502
International Equity	2,077,106	2,630,008
Corporate Fixed Income	5,081,770	6,019,809
Mortgage-Backed Fixed Income	1,300,468	1,345,098
Total	<u>\$ 23,044,752</u>	<u>\$ 27,442,363</u>

Net investment earnings for the years ended December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and Dividends	\$ 423,675	\$ 1,248,461
Realized Gain on Sale of Investments	534,246	2,123,932
Unrealized (Loss) Gain on Investments	(5,236,073)	595,343
Investment Fees	(14,900)	(23,848)
Total	<u>\$ (4,293,052)</u>	<u>\$ 3,943,888</u>

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 INVESTMENTS (CONTINUED)

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:

	2022			
	Level 1	Level 2	Level 3	Total
Cash and Money Markets	\$ 1,112,329	\$ -	\$ -	\$ 1,112,329
Mutual Funds:				
U.S. Corporate Equity	13,473,079	-	-	13,473,079
International Equity	2,077,106	-	-	2,077,106
Corporate Fixed Income	5,081,770	-	-	5,081,770
Mortgage-Backed Fixed Income	1,300,468	-	-	1,300,468
Total	\$ 23,044,752	\$ -	\$ -	\$ 23,044,752
	2021			
	Level 1	Level 2	Level 3	Total
Cash and Money Markets	\$ 808,946	\$ -	\$ -	\$ 808,946
Mutual Funds:				
U.S. Corporate Equity	16,638,502	-	-	16,638,502
International Equity	2,630,008	-	-	2,630,008
Corporate Fixed Income	6,019,809	-	-	6,019,809
Mortgage-Backed Fixed Income	1,345,098	-	-	1,345,098
Total	\$ 27,442,363	\$ -	\$ -	\$ 27,442,363

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, 2022 and 2021.

NOTE 4 PLEDGES RECEIVABLE

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

	2022	2021
Due in Less than One Year	\$ 109,375	\$ 28,300
Due in One to Five Years	174,324	55,086
Less: Discount on Long-term Portion	(9,654)	(1,884)
Total	\$ 274,045	\$ 81,502

Pledges receivable due in excess of one year were discounted at 3.00%, for the years ended December 31, 2022 and 2021.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 RELATED PARTIES

APTA is a professional association exempt from federal income tax under IRC Section 501(c)(6). During the year ended December 31, 2020, APTA was granted the indirect ability to appoint individuals that together constitute a majority of the Foundation's Board of Trustees. Therefore, APTA maintains both control and an economic interest in the Foundation, requiring consolidation of the Foundation into APTA's general purpose financial statements.

APTA contributed \$500,000 in support of other research and general operations for the years ended December 31, 2022 and 2021. 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 \$98,693 and \$83,132 for the years ended December 31, 2022 and 2021, respectively. Pledges receivable from members of the board of trustees of the Foundation and the board of directors of APTA at December 31, 2022 and 2021, represented 0% and 30% of pledges receivable, respectively.

In conjunction with a management service agreement from APTA, at December 31, 2022 and 2021, \$3,416 and \$59,614, 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.

\$6,423 and \$3,805 at December 31, 2022 and 2021, respectively, was due to the Foundation from APTA for contributions 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 \$794,867 and \$851,954 for the years ended December 31, 2022 and 2021, respectively.

In November 2020, the Foundation entered in a sublease agreement with APTA for its office space. The agreement extends through December 2023. As part of the agreement, APTA charged the Foundation for supporting services and rent in excess of \$250,000 per year for three years, as the first \$250,000 per year will be considered an in-kind contribution from APTA to the Foundation. The Foundation values this support based on the cost that APTA incurs to provide this support. The support is allocated to all programs of the Foundation based on level of effort. As of December 31, 2022 and 2021, \$213,915 and \$210,028, respectively, was recorded as donated services and is included in the accompanying statements of activities.

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 GRANTS AND AWARDS PAYABLE

As of December 31, 2022 and 2021, the Foundation board authorized and committed grants and awards to be disbursed in subsequent years. Amounts payable at December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Clinical Research Grants	\$ 1,195,000	\$ 1,057,067
Scholarships/Fellowships	216,250	163,750
Total	<u>\$ 1,411,250</u>	<u>\$ 1,220,817</u>

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Research	\$ 6,818,552	\$ 10,021,451
Education	1,884,786	2,674,943
Time Restricted	36,436	137,479
Total	<u>\$ 8,739,774</u>	<u>\$ 12,833,873</u>

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

	<u>2022</u>	<u>2021</u>
Research	\$ 8,144,799	\$ 8,087,361
Education	1,464,098	1,461,031
Total	<u>\$ 9,608,897</u>	<u>\$ 9,548,392</u>

Satisfaction of program restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Research	\$ 669,817	\$ 682,917
Education	249,000	124,873
Time Restricted	93,456	-
Total	<u>\$ 1,012,273</u>	<u>\$ 807,790</u>

FOUNDATION FOR PHYSICAL THERAPY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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. 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, 2022 and 2021, there were no deficiencies reported in net assets with donor restrictions – time and purpose.

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

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, 2021	\$ -	\$ 7,299,795	\$ 9,207,855	\$ 16,507,650
Investment Return:				
Investment Income	-	875,051	-	875,051
Net Realized and Unrealized Gains	-	1,942,351	-	1,942,351
Total Investment Return	-	2,817,402	-	2,817,402
Contributions	-	(3,677)	340,537	336,860
Appropriations	-	(588,606)	-	(588,606)
Endowment Net Assets - December 31, 2021	<u>\$ -</u>	<u>\$ 9,524,914</u>	<u>\$ 9,548,392</u>	<u>\$ 19,073,306</u>
Endowment Net Assets - January 1, 2022	\$ -	\$ 9,524,914	\$ 9,548,392	\$ 19,073,306
Investment Return:				
Investment Income	-	299,351	-	299,351
Net Realized and Unrealized Losses	-	(3,379,941)	-	(3,379,941)
Total Investment Return	-	(3,080,590)	-	(3,080,590)
Contributions	-	130,010	60,505	190,515
Appropriations	-	(598,817)	-	(598,817)
Endowment Net Assets - December 31, 2022	<u>\$ -</u>	<u>\$ 5,975,517</u>	<u>\$ 9,608,897</u>	<u>\$ 15,584,414</u>

NOTE 9 CORONAVIRUS

In March 2020, the pandemic of the Coronavirus (COVID-19) was declared by the World Health Organization. Future revenue and expenses of the Foundation may be impacted by various restrictions. This could also impact transactions relating to vendors. As of April 19, 2023, the amount and likelihood of loss relating to these events has not determined.