American Academy of Family Physicians Foundation and Subsidiary

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2018 and 2017

BKD LLP
CPAs & Advisors

American Academy of Family Physicians Foundation and Subsidiary

December 31, 2018 and 2017

Contents

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CPAs & Advisors

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Independent Auditor's Report

Board of Trustees
American Academy of Family Physicians
Foundation and Subsidiary
Leawood, Kansas

We have audited the accompanying consolidated financial statements of American Academy of Family Physicians Foundation and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Academy of Family Physicians Foundation and Subsidiary as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in *Note 2* to the consolidated financial statements, in 2018, American Academy of Family Physicians Foundation and Subsidiary adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Report on Summarized Consolidated Comparative Information

We have previously audited the December 31, 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 21, 2017. In our opinion, the summarized consolidated comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived.

BKD, LLP

Kansas City, Missouri
May 20, 2019

American Academy of Family Physicians Foundation and Subsidiary

Consolidated Statement of Financial Position

December 31, 2018

(with Comparative Totals for 2017)

	2018				Comparative
Assets	Foundation	Insurance Services	Eliminations	Consolidated Total	Totals for 2017
Cash and cash equivalents	$ 375,259	$ 1,211,184	$ -	$ 1,586,443	$ 1,340,526
Cash and cash equivalents - premium account	-	3,100,185	-	3,100,185	3,124,158
Accounts receivable	193,745	606,094	-	799,839	756,170
Prepaid expenses	46,576	18,792	-	65,368	62,032
Investments at fair value	15,157,538	-	-	15,157,538	16,837,328
Investment in subsidiary	1,651,076	-	(1,651,076)	-	-
Contributions receivable	123,546	-	-	123,546	84,021
Beneficial interest in trust assets	54,361	-	-	54,361	59,376
Income tax receivable	-	-	-	-	152,725
Deferred tax asset	-	-	-	-	200
Office equipment, furniture and fixtures, net of accumulated depreciation; 2018 - $851,024, 2017 - $822,251	43,964	23,010	-	66,974	90,488
	$ 17,646,065	$ 4,959,265	$ (1,651,076)	$ 20,954,254	$ 22,507,024
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	$ 446,509	$ 90,871	$ -	$ 537,380	$ 1,019,155
Premiums payable	-	3,100,590	-	3,100,590	3,126,838
Grant awards payable	133,173	-	-	133,173	251,327
Deferred revenue and advances	11,073	-	-	11,073	50,849
Liabilities under split-interest agreements	182,136	-	-	182,136	204,991
Deferred tax liability	-	2,700	-	2,700	-
Federal and state income taxes payable	-	114,028	-	114,028	-
Total liabilities	772,891	3,308,189	-	4,081,080	4,653,160
Net Assets					
Without donor restrictions					
Undesignated	3,205,670	1,651,076	(1,651,076)	3,205,670	3,005,631
Designated by the Board					
Endowment	9,492,005	-	-	9,492,005	10,551,011
Special projects and programs	114,692	-	-	114,692	119,501
Total net assets without donor restrictions	12,812,367	1,651,076	(1,651,076)	12,812,367	13,676,143
With donor restrictions	4,060,807	-	-	4,060,807	4,177,721
Total net assets	16,873,174	1,651,076	(1,651,076)	16,873,174	17,853,864
Total liabilities and net assets	$ 17,646,065	$ 4,959,265	$ (1,651,076)	$ 20,954,254	$ 22,507,024

American Academy of Family Physicians Foundation and Subsidiary

Consolidated Statement of Activities

Year Ended December 31, 2018

(with Comparative Totals for 2017)

	2018				
	Foundation	Insurance Services	Eliminations	Consolidated Total	Comparative Totals for 2017
Net Assets Without Donor Restriction					
Revenues, Gains and Other Support					
Grant revenue	$ 10,717	$ -	$ -	$ 10,717	$ 6,590
Corporate and chapter support	685,000	-	-	685,000	1,008,747
Individual contributions	509,434	-	-	509,434	448,163
Special events, net of direct expenses of $29,351 in 2018 and $34,027 in 2017	54,394	-	-	54,394	41,171
Investment return	(735,773)	-	-	(735,773)	1,734,231
Insurance agreement revenues	-	3,744,977	-	3,744,977	3,776,328
Net assets released from restrictions	378,060	-	-	378,060	946,234
Total revenues, gains and other support	901,832	3,744,977	-	4,646,809	7,961,464
Expenses and Losses					
Insurance Services	-	2,390,556	-	2,390,556	2,878,773
Family Medicine Philanthropic Consortium	119,518	-	-	119,518	112,577
Center for the History of Family Medicine	190,952	-	-	190,952	247,586
Family Medicine Cares	324,246	-	-	324,246	327,465
Family Medicine Leads	352,616	-	-	352,616	373,952
Family Medicine Discovers	5,479	-	-	5,479	-
Research Grants and Awards	190,562	-	-	190,562	549,318
AAFP Program Grants	507,433	-	-	507,433	1,136,750
Program Evaluation and Support	187,654	-	-	187,654	251,447
Management and General	510,601		-	510,601	480,711
Fundraising and Development	730,968	-	-	730,968	808,061
Total expenses and losses	3,120,029	2,390,556	-	5,510,585	7,166,640
Change in net assets without donor restriction	(2,218,197)	1,354,421	-	(863,776)	794,824
Net Assets With Donor Restriction					
Grant revenues	111,180	-	-	111,180	588,829
Corporate and chapter support	55,500	-	-	55,500	48,500
Individual contributions	323,745	-	-	323,745	535,780
Special events	-	-	-	-	84
Investment return	(229,279)	-	-	(229,279)	472,869
Net assets released from restrictions	(378,060)	-	-	(378,060)	(946,234)
Change in net assets with donor restriction	(116,914)	-	-	(116,914)	699,828
Increase (Decrease) in Net Assets Before Earnings of Subsidiary and Dividends Paid	(2,335,111)	1,354,421	-	(980,690)	1,494,652
Earnings of Subsidiary	1,354,421	-	(1,354,421)	-	-
Dividends Paid	-	(1,201,000)	1,201,000	-	-
Increase (Decrease) in Net Assets	(980,690)	153,421	(153,421)	(980,690)	1,494,652
Net Assets, Beginning of Year	17,853,864	1,497,655	(1,497,655)	17,853,864	16,359,212
Net Assets, End of Year	$ 16,873,174	$ 1,651,076	$ (1,651,076)	$ 16,873,174	$ 17,853,864

American Academy of Family Physicians Foundation and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	American Academy of Family Physicians Foundation												
	Family Medicine Philanthropic Consortium	Center for the History of Family Medicine	Family Medicine Cares	Family Medicine Leads	Family Medicine Discovers	Research Grants and Awards	AAFP Program Grants	Program Evaluation and Support	Total Program Expenses	Management and General	Fundraising and Development	AAFP Insurance Services	Total Expenses
Center for Diversity and Health Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ 100,000	$ -	$ 100,000	$ -	$ -	$ -	$ 100,000
Center for Global Health Initiatives	-	-	-	-	-	-	45,000	-	45,000	-	-	-	45,000
Chapter Executive Leadership Program	4	-	-	-	-	-	53,000	-	53,004	-	-	-	53,004
Chapter grants	75,000	-	-	-	-	-	-	-	75,000	-	-	-	75,000
Disaster Relief disbursements	-	-	-	-	-	-	-	24,443	24,443	-	-	-	24,443
Emerging Leader Institute scholarships and awards	-	-	-	48,000	-	-	-	-	48,000	-	-	-	48,000
Externship grants	-	-	-	-	-	28,125	-	-	28,125	-	-	-	28,125
Family Medicine Cares USA clinic grants	-	-	75,000	-	-	-	-	-	75,000	-	-	-	75,000
Family Medicine Interest Group	-	-	-	-	-	-	24,300	-	24,300	-	-	-	24,300
Familydoctor.org	-	-	-	-	-	-	100,000	-	100,000	-	-	-	100,000
Fellowships, lectureships and awards	-	2,018	-	-	-	-	-	6,000	8,018	-	-	-	8,018
International disbursements	-	-	49,814	-	-	-	-	4,720	54,534	-	-	-	54,534
National Conference scholarships	-	-	-	128,400	-	-	-	-	128,400	-	-	-	128,400
Physician Health First Initiative	-	-	-	-	-	-	75,000	-	75,000	-	-	-	75,000
Population Health/Healthy Interventions	-	-	-	-	-	-	50,000	-	50,000	-	-	-	50,000
Resident Service Awards	-	-	33,000	-	-	-	-	-	33,000	-	-	-	33,000
Telehealth Study	-	-	-	-	-	-	60,133	-	60,133	-	-	-	60,133
Salaries	-	-	-	-	-	-	-	-	-	-	-	762,824	762,824
Payroll taxes	-	-	-	-	-	-	-	-	-	-	-	53,644	53,644
Profit sharing plan and 401(k) plan	-	-	-	-	-	-	-	-	-	-	-	62,126	62,126
Board of Trustees	-	-	-	1,468	4,976	-	-	12,899	19,343	60,919	17,231	-	97,493
Professional Services	-	-	-	-	-	-	-	-	-	28,114	12,583	18,297	58,994
Contracted fees for service	40,310	166,646	147,748	153,043	190	160,618	-	113,906	782,461	318,205	387,516	-	1,488,182
Advertising and promotion	-	9,036	443	3,882	-	368	-	-	13,729	-	26,232	541,865	581,826
Office expenses	-	925	432	253	-	415	-	134	2,159	1,234	6,820	1,856	12,069
Information technology	-	432	-	-	-	-	-	-	432	336	36,666	42,165	79,599
Rent - office space	-	-	-	-	-	-	-	-	-	-	-	78,880	78,880
Travel	-	4,126	10,794	1,444	60	-	-	5,437	21,861	22,979	9,585	10,814	65,239
Conferences and meetings	4,129	1,058	290	12,032	253	887	-	-	18,649	61,566	103,567	-	183,782
Depreciation	-	-	-	-	-	-	-	18,842	18,842	-	-	9,931	28,773
Insurance	-	3,069	3,302	-	-	-	-	-	6,371	7,512	-	141,387	155,270
Design and printing	75	75	2,851	3,069	-	50	-	-	6,120	5,888	115,078	-	127,086
Training and development	-	898	-	-	-	99	-	1,152	2,149	2,586	15,291	4,423	24,449
Credit card fees and bank charges	-	-	-	-	-	-	-	-	-	1,262	399	-	1,661
Commission and royalty	-	-	-	-	-	-	-	-	-	-	-	75,865	75,865
Income tax	-	-	-	-	-	-	-	-	-	-	-	487,307	487,307
Other	-	2,669	572	1,025	-	-	-	121	4,387	-	-	99,172	103,559
	$ 119,518	$ 190,952	$ 324,246	$ 352,616	$ 5,479	$ 190,562	$ 507,433	$ 187,654	$ 1,878,460	$ 510,601	$ 730,968	$ 2,390,556	$ 5,510,585

See Notes to Consolidated Financial Statements

American Academy of Family Physicians Foundation and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	American Academy Family Physicians Foundation												
	Family Medicine Philanthropic Consortium	Center for the History of Family Medicine	Family Medicine Cares	Family Medicine Leads	Research Grants and Awards	AAFP Program Grants	Program Evaluation and Support	Total Program Expenses	Management and General	Fundraising and Development	AAFP Insurance Services	Total Expenses
Center for Diversity and Health Equity	$ -	$ -	$ -	$ -	$ -	$ 60,000	$ -	$ 60,000	$ -	$ -	$ -	$ 60,000
Center for Global Health Initiatives	-	-	-	-	-	35,000	-	35,000	-	-	-	35,000
Chapter Executive Leadership Program	-	-	-	-	-	53,000	-	53,000	-	-	-	53,000
Chapter grants	76,500	-	-	-	75,000	-	-	151,500	-	-	-	151,500
Disaster Relief disbursements	-	-	-	-	-	-	123,215	123,215	-	-	-	123,215
Emerging Leader Institute scholarships and awards	-	-	-	46,000	-	-	-	46,000	-	-	-	46,000
Externship grants	-	-	-	-	28,500	-	-	28,500	-	-	-	28,500
Family Medicine Cares USA clinic grants	-	-	75,000	-	-	-	-	75,000	-	-	-	75,000
Family Medicine for America's Health	-	-	-	-	-	671,255	-	671,255	-	-	-	671,255
Family Medicine Interest Group	-	-	-	-	-	52,495	-	52,495	-	-	-	52,495
Familydoctor.org	-	-	-	-	-	100,000	-	100,000	-	-	-	100,000
Fellowships, lectureships and awards	-	2,757	-	-	-	-	3,909	6,666	-	-	-	6,666
Immunization awards	-	-	-	-	112,000	-	-	112,000	-	-	-	112,000
International disbursements	-	-	55,532	2,913	-	-	2,005	60,450	-	-	-	60,450
National Conference scholarships	-	-	-	127,800	-	-	-	127,800	-	-	-	127,800
Physician Health First Initiative	-	-	-	-	-	75,000	-	75,000	-	-	-	75,000
Population Health/Healthy Interventions	-	-	-	-	-	50,000	-	50,000	-	-	-	50,000
Research grants	-	-	-	-	107,100	-	-	107,100	-	-	-	107,100
Resident Service Awards	-	-	33,000	-	-	-	-	33,000	-	-	-	33,000
Tobacco Prevention and Control	-	-	-	-	-	40,000	-	40,000	-	-	-	40,000
Salaries	-	-	-	-	-	-	-	-	-	-	1,203,160	1,203,160
Payroll taxes	-	-	-	-	-	-	-	-	-	-	48,718	48,718
Profit sharing plan and 401(k) plan	-	-	-	-	-	-	-	-	-	-	89,334	89,334
Board of Trustees	-	-	-	152	-	-	11,906	12,058	67,888	18,030	-	97,976
Professional Services	-	-	-	-	-	-	-	-	26,308	12,134	21,706	60,148
Contracted fees for service	32,632	222,778	147,063	181,517	210,967	-	87,670	882,627	317,858	435,869	-	1,636,354
Advertising and promotion	25	2,875	791	2,129	1,288	-	1,020	8,128	221	8,007	454,322	470,678
Office expenses	31	670	350	629	600	-	219	2,499	1,714	5,057	2,688	11,958
Information technology	-	432	-	-	4,782	-	-	5,214	300	26,915	33,199	65,628
Rent - office expense	-	-	-	-	-	-	-	-	-	-	77,248	77,248
Travel	-	7,512	11,039	97	6,748	-	1,872	27,268	27,711	23,708	20,490	99,177
Conferences and meetings	3,261	1,065	133	9,538	1,696	-	-	15,693	24,986	114,918	-	155,597
Depreciation	-	-	-	-	-	-	18,842	18,842	-	-	12,431	31,273
Insurance	-	3,069	3,302	-	-	-	-	6,371	7,433	-	150,003	163,807
Design and printing	128	1,560	1,043	3,177	438	-	-	6,346	3,782	145,181	-	155,309
Training and development	-	430	-	-	199	-	647	1,276	1,001	4,800	1,963	9,040
Credit card fees and bank charges	-	-	-	-	-	-	-	-	1,176	13,410	-	14,586
Commission and royalty	-	-	-	-	-	-	-	-	-	-	71,914	71,914
Income tax	-	-	-	-	-	-	-	-	-	-	561,200	561,200
Other	-	4,438	212	-	-	-	142	4,792	333	32	130,397	135,554
	$ 112,577	$ 247,586	$ 327,465	$ 373,952	$ 549,318	$ 1,136,750	$ 251,447	$ 2,999,095	$ 480,711	$ 808,061	$ 2,878,773	$ 7,166,640

See Notes to Consolidated Financial Statements

American Academy of Family Physicians Foundation and Subsidiary

Consolidated Statement of Cash Flows
Year Ended December 31, 2018
(with Comparative Totals for 2017)

	2018				
	Foundation	Insurance Services	Eliminations	Consolidated Total	Comparative Totals for 2017
Operating Activities					
Change in net assets	$ (980,690)	$ 1,354,421	$ (1,354,421)	$ (980,690)	$ 1,494,652
Items not requiring (providing) operating cash flows					
Depreciation	18,842	9,931	-	28,773	31,273
Net realized and unrealized gains on investments	1,266,314	-	-	1,266,314	(1,890,538)
Gain on split-interest agreements	14,104	-	-	14,104	(31,156)
Contributions of investment securities	(5,306)	-	-	(5,306)	(132,547)
Contributions and investment income received restricted for long-term investment	(166,693)	-	-	(166,693)	(248,235)
Change in investment in subsidiary	(153,421)	-	153,421	-	-
Deferred income taxes	-	2,900	-	2,900	22,700
Changes in					
Accounts receivable	(47,352)	3,683	-	(43,669)	137,260
Prepaid expenses and other	(15,746)	(2,482)	-	(18,228)	45,791
Contributions receivable	(39,525)	-	-	(39,525)	(54,021)
Accounts payable and accrued expenses	(254,051)	(227,724)	-	(481,775)	92,244
Premiums payable	-	(26,248)	-	(26,248)	(86,249)
Grant awards payable	(118,154)	-	-	(118,154)	(68,109)
Deferred revenue and advances	(39,776)	-	-	(39,776)	(54,357)
Federal and state income taxes payable	-	266,753	-	266,753	(171,860)
Net cash provided by (used in) operating activities	(521,454)	1,381,234	(1,201,000)	(341,220)	(913,152)
Investing Activities					
Purchase of office equipment, furniture and fixtures	-	(5,259)	-	(5,259)	(7,057)
Purchase of investments	(5,594,826)	-	-	(5,594,826)	(3,871,555)
Sales and maturities of investments	6,004,519	-	-	6,004,519	4,329,008
Net cash provided by (used in) investing activities	409,693	(5,259)	-	404,434	450,396
Financing Activities					
Proceeds from contributions and investment income restricted for long-term investment	166,693	-	-	166,693	248,235
Payments on annuities	(7,963)	-	-	(7,963)	(8,747)
Cash dividends paid	-	(1,201,000)	1,201,000	-	-
Net cash provided by (used in) financing activities	158,730	(1,201,000)	1,201,000	158,730	239,488
Increase (Decrease) in Cash and Cash Equivalents	46,969	174,975	-	221,944	(223,268)
Cash and Cash Equivalents, Beginning of Year	328,290	4,136,394	-	4,464,684	4,687,952
Cash and Cash Equivalents, End of Year	$ 375,259	$ 4,311,369	$ -	$ 4,686,628	$ 4,464,684
Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position					
Cash and cash equivalents	$ 375,259	$ 1,211,184	$ -	$ 1,586,443	$ 1,340,526
Cash and cash equivalents - premium account	-	3,100,185	-	3,100,185	3,124,158
	$ 375,259	$ 4,311,369	$ -	$ 4,686,628	$ 4,464,684
Supplemental Cash Flows Information					
Income taxes paid	$ -	$ 215,917	$ -	$ 215,917	$ 710,360

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The American Academy of Family Physicians Foundation (the Foundation) is a not-for-profit organization whose mission and principal activity is to serve as a fiscal intermediary for programs that serve to promote and benefit family medicine throughout the United States of America. The Foundation encourages philanthropy, awards research grants, offers education programs and maintains a center for the history of family medicine. The Foundation's donors and members are located primarily throughout the United States of America.

AAFP Insurance Services, Inc. (Insurance Services) is a wholly-owned, for-profit subsidiary of the Foundation. Insurance Services administers and sells various types of insurance plans (life, medical, disability, accidental death, etc.) to members of the American Academy of Family Physicians (the Academy), which is the sole contract holder of such plans. Insurance Services maintains a relationship with one insurance company that services a majority of these plans and through agreements provides the source for a significant portion of revenues from insurance plans.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly-owned subsidiary, Insurance Services (hereinafter collectively known as the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, cash and cash equivalents consisted primarily of deposit accounts and a money market account with a financial institution.

At December 31, 2018, the Organization's deposit accounts exceeded federally insured limits by approximately $5,345,000.

The premium account is a restricted cash account that holds premiums collected on behalf of Insurance Services.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

The pooled investment funds are valued at net asset value which estimates fair value. Investment earnings are allocated monthly on a pro rata basis representative of the Foundation's overall percentage of the ownership in the fund.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Investment securities are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statement of financial position.

Accounts Receivable

Foundation accounts receivable consist primarily of Foundation donations collected by the Academy, and donations or grants receivable from third parties. Balances become past due according to the terms of various agreements with third parties and organizations who handle the initial processing. Balances that are still outstanding after management has used reasonable collection efforts are charged to expense when that determination is made. Management believes that all accounts receivable are collectible at December 31, 2018 and 2017; therefore, no allowance for uncollectible accounts has been established.

Insurance Services accounts receivable consist primarily of commissions due from one insurance carrier. Insurance Services holds the funds of these accounts receivable and, accordingly, believes that no allowance for doubtful accounts is needed for the years ended December 31, 2018 and 2017. The insurance carrier and the insured are located throughout the United States of America.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. The estimated useful lives of the assets range from three years to fifteen years.

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value.

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

There were no individually significant contributions in 2018 and 2017.

Grant Awards Payable

Grant awards payable include amounts due to outside organizations from grants the Foundation has awarded.

Grant Revenue and Deferred Revenue

Support funded by grants is recognized as the Foundation performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Insurance Revenues

Revenues are based upon broker and service agreements between Insurance Services and the insurance companies that provide coverage. Commissions and administrative allowances are accrued on premiums collected in the period earned.

Approximately 95 percent of revenues from insurance agreements were generated from one insurance carrier during the years ended December 31, 2018 and 2017.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Insurance Services is a for-profit entity. Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due and deferred taxes. Deferred taxes are recognized for differences between the basis of assets or liabilities for financial statement and income tax purposes and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The differences relate to depreciable assets (use of different depreciation methods and lives for financial statements and income tax purposes) and certain accrued expenses (expensed for financial statement purposes but not deductible for income tax purposes until paid). The deferred tax asset and liability represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets or liabilities are recovered or settled. Valuation allowances are provided for deferred tax assets based on management's projection of the sufficiency of future taxable income to realize the assets.

Income tax accounting guidance (ASC Topic 740, *Income Taxes*) requires that the Organization record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. Insurance Services continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Functional Allocation of Expenses

The costs of supporting activities have been allocated to the various programs in the consolidated statement of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, administration and fundraising categories based on time expended, usage and other methods.

Advertising

Insurance Services expenses advertising and other promotional costs as they are incurred. These types of expenses for mailing campaigns, newsletters and similar activities were approximately $542,000 and $454,000 for the years ended December 31, 2018 and 2017, respectively.

Subsequent Events

Subsequent events have been evaluated through May 20, 2019, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements for the adoption of ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which were deemed to be immaterial. These reclassifications had no effect on earnings.

Note 2: Change in Accounting Principle

In 2018, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

Note 3: Investments and Investment Return

Investments at December 31 consisted of the following:

	2018	2017
Cash	$ 1,109,913	$ -
Money market accounts	-	422,835
Common and preferred stock	6,043,839	6,532,696
Equity mutual funds	3,040,636	4,386,243
Fixed income mutual funds	786,893	1,264,911
Corporate bonds	1,730,302	1,679,838
Treasury and federal agency obligations	1,081,131	1,094,193
Pooled investment funds	1,364,824	1,454,405
Hedge fund	-	2,207
	$ 15,157,538	$ 16,837,328

Total investment return is comprised of the following:

	2018	2017
Interest and dividend income	$ 402,448	$ 370,262
Realized gains	851,519	791,607
Unrealized gains	(2,117,833)	1,098,931
Investment fees and expenses	(87,082)	(84,856)
Change in value of split-interest agreements	(14,104)	31,156
	$ (965,052)	$ 2,207,100

Note 4: Split-Interest Agreements

Charitable Remainder Trusts

The Foundation is the beneficiary of two charitable remainder unitrusts. The trusts provide for a lifetime benefit to be paid to the donor or other designated beneficiary. Upon the death of the beneficiaries, the remaining trust assets are distributed in accordance with the trust document.

The Foundation is the trustee and sole remainder beneficiary of one of the trusts. The fair values of the trust assets were $42,482 and $48,726 as of December 31, 2018 and 2017, respectively, and are included in investments in the Foundation's consolidated statement of financial position. The Foundation has recorded a liability at December 31, 2018 and 2017 of $24,744 and $29,026, respectively, which represents the present value of the future obligations to make distributions to the designated beneficiaries.

The second trust is administered by an outside party. Therefore, the estimated value of the expected future cash flows of $54,361 and $59,376, which represents the fair value of the trust assets at December 31, 2018 and 2017, respectively, is recorded as "beneficial interest in trust assets" on the consolidated statement of financial position.

Pooled Income Fund

The Foundation manages a pooled income fund in which donors who contribute to the fund are assigned a specific number of units based on the proportion of the fair value of their contribution to the total fair value of the pooled income fund. Until the donor's death, the donor or the donor's designated beneficiary is paid the actual ordinary income earned on the donor's units. Upon the donor's death, the value of the assigned units reverts to the Foundation.

The Foundation recognizes its remainder interest in the assets received as donor-restricted contribution revenue in the period in which the assets are received from the donor. The contributed assets are recognized at fair value when received. The difference between the fair value of the assets when received and the revenue recognized is recorded as deferred revenue, representing the amount of discount for future interest.

The fair value of the pooled income fund assets was $106,554 and $114,446 as of December 31, 2018 and 2017, respectively, and is included in "investments" in the consolidated statement of financial position. The present value of the estimated future payments is calculated using a discount rate ranging from 5.75 percent to 8.75 percent and applicable life expectancy tables. The estimated future liability of the pooled income fund was $31,020 and $32,252 as of December 31, 2018 and 2017, respectively, and is included in "liabilities under split-interest agreements" in the consolidated statement of financial position.

Charitable Gift Annuity

The Foundation has been the recipient of a gift annuity which requires future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded a liability at December 31, 2018 and 2017 of $126,372 and $143,713, respectively, which represents the present value of the future annuity obligations. The liability had been determined using a discount rate of 1.8 percent and a rate of return of 4.4 percent.

Note 5: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose		
Center for the History of Family Medicine	$ 15,664	$ 15,664
Disaster Relief	45,852	47,540
Family Medicine Cares	511,897	580,829
Family Medicine Discovers	22,645	16,110
Family Medicine Leads	85,917	79,110
Lectureships	113,791	122,538
Outside funded grants	2,583	7,216
Special Projects	129,567	119,652
	927,916	988,659
Subject to the passage of time		
Assets held under split-interest agreements	105,595	114,684

	2018	2017
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Center for the History of Family Medicine	$ 599,263	$ 705,490
Family Medicine Cares	18,582	34,898
Family Medicine Leads	15,240	33,125
Robert Graham Policy Center	-	60,864
	633,085	834,377
Subject to NFP endowment spending policy and appropriation		
Center for the History of Family Medicine	1,074,391	1,023,629
Family Medicine Cares	206,175	204,380
Family Medicine Leads	300,009	249,249
Lectureships	50,000	50,000
Research	126,866	135,066
Robert Graham Policy Center	467,584	434,282
Unconditional promises to give, net - permanently restricted to Family Medicine Leads	123,545	84,019
Underwater endowments	(8,720)	-
	2,339,850	2,180,625
Not subject to spending policy and appropriation		
Beneficial interest in assets held by outside party	40,771	44,532
Beneficial interest in perpetual trusts held by outside party	13,590	14,844
	54,361	59,376
	$ 4,060,807	$ 4,177,721

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events by donors.

	2018	2017
Satisfaction of purpose restrictions		
Disaster relief	$ 26,288	$ 135,813
Family Medicine Cares	130,315	105,931
Family Medicine Leads	88,100	97,800
Lectureships	1,500	1,500
Outside funded grants	42,710	314,476
Special projects	71,247	277,014
	360,160	932,534
Restricted-purpose spending-rate distributions and appropriations		
Family Medicine Cares	8,000	5,000
Family Medicine Leads	9,900	8,700
	17,900	13,700
	$ 378,060	$ 946,234

Note 6: Endowment

The Foundation's endowment consists of thirteen individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body is subject to the *State of Kansas Prudent Management of Institutional Funds Act* (KPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing body of the Foundation has interpreted KPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted KPMIFA to permit spending [not spending] from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with KPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at December 31, 2018 and 2017, was:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2018			
Board-designated endowment funds	$ 9,492,005	$ -	$ 9,492,005
Donor-designated endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	-	2,348,571	2,348,571
Accumulated investment gains	-	624,364	624,364
Total endowment funds	$ 9,492,005	$ 2,972,935	$ 12,464,940
December 31, 2017			
Board-designated endowment funds	$ 10,551,011	$ -	$ 10,551,011
Donor-designated endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	-	2,180,626	2,180,626
Accumulated investment gains	-	834,376	834,376
Total endowment funds	$ 10,551,011	$ 3,015,002	$ 13,566,013

Changes in endowment net assets for the years ended December 31, 2018 and 2017 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2017	$ 9,936,300	$ 2,423,858	$ 12,360,158
Investment return, net	1,476,577	357,177	1,833,754
Contributions	2,615	247,667	250,282
Appropriation of endowment assets for expenditures	(401,000)	(13,700)	(414,700)
Other transfers	(463,481)	-	(463,481)
Endowment net assets, December 31, 2017	10,551,011	3,015,002	13,566,013
Investment return, net	(600,764)	(180,555)	(781,319)
Contributions	1,886	156,387	158,273
Appropriation of endowment assets for expenditures	(1,018)	(17,899)	(18,917)
Other transfers	(459,110)	-	(459,110)
Endowment net assets, December 31, 2018	$ 9,492,005	$ 2,972,935	$ 12,464,940

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or KPMIFA. There were deficiencies of this nature in the amount of $8,720 and $0 at December 31, 2018 and 2017.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to grow the principal of the funds while assuming a tolerable level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 7.5 percent annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

When specified, the Foundation follows the donor's stipulations in the endowment agreement regarding the appropriation of endowment earnings. For board-designated funds, earnings are being reinvested until determined expendable by the board. For donor funds, earnings are being reinvested until the endowment reaches a point that the earnings would support the intended purpose of the endowment in perpetuity.

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprising the following:

	Foundation	Insurance Services	Total
Cash and cash equivalents	$ 375,259	$ 1,211,184	$ 1,586,443
Accounts receivable	193,745	606,094	799,839
Operating investments	1,749,428	-	1,749,428
Promises to give	55,329	-	55,329
Endowment spending-rate distributions and appropriations	748,853	-	748,853
	$ 3,122,614	$ 1,817,278	$ 4,939,892

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of $9,492,005 is subject to a spending rate set annually by the Board of Directors. The approved spending rate for 2019 is 5.5 percent. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the Foundation's liquidity management plan, we invest excess cash in our pooled investment accounts.

Note 8: Related-Party Transactions

The Organization and the Academy are related parties that are not financially interrelated organizations.

The Academy provides certain services to the Foundation under an administrative services agreement. The administrative services agreement includes services such as day-to-day executive, administrative, legal, accounting, clerical and other services in connection with the operations of the Foundation. The Foundation reimburses the Academy for direct costs under the agreement. In addition, the Foundation pays the Academy an additional service fee equal to 22.2 percent of the aggregate allocated amount of the actual salaries, fringe benefits and payroll taxes and a flat fee of $25,000 per year. Fees paid under the administrative services agreement were $1,674,461 and $1,745,354 for 2018 and 2017, respectively. The Foundation also paid $493,383 in 2018 and $467,495 in 2017 for grants and related costs to the Academy.

The following amounts were provided to the Foundation as support from, or pass-through donations collected by, the Academy for the years ended December 31:

	2018	2017
Dues check-off (pass through donations)	$ 190,970	$ 189,325
Contributions directed through the Academy	98,754	68,674
Contributions from the Academy to the Foundation	8,270	5,379
Center for the History of Family Medicine support	20,000	15,000
Other	63,077	53,550
	$ 381,071	$ 331,928

Foundation accounts receivable included revenues and other support from the Academy of $46,971 and $48,946 at December 31, 2018 and 2017, respectively. Accounts payable include $417,557 and $650,594 at December 31, 2018 and 2017, respectively, due to the Academy by the Foundation for services and other items.

Insurance Services remitted reimbursements to the Academy for common administrative costs (postage, internet and telephone) and marketing expenses in the amount of $160,269 and $188,203 in 2018 and 2017, respectively. The amount due to the Academy was $4,432 and $0 as of December 31, 2018 and 2017, respectively, for these common administrative and marketing expenses.

The Academy, as the contract holder, controls certain plans administered by Insurance Services. Insurance Services administers Academy-sponsored life insurance plans and, pursuant to a royalty agreement relating thereto, incurred costs to the Academy of $75,865 and $71,914 for the years ended December 31, 2018 and 2017, respectively.

Note 9: Operating Leases

Insurance Services entered into a noncancellable operating lease for office space with the Academy, which expires in 2019. This lease requires Insurance Services to pay additional rent, to be determined annually, for related operating expenses, taxes and other rent provisions. Rental payments include minimum rentals, plus a fixed monthly fee for certain utilities.

Future minimum lease payments at December 31, 2018 were:

2019	$ 53,312

Rent expense under this operating lease was $78,880 and $77,248 for the years ended December 31, 2018 and 2017, respectively.

Note 10: Income Taxes

The provision for federal and state income taxes consists of the following components for the years ended December 31:

	2018	2017
Current expense	$ 484,407	$ 538,500
Deferred expense	2,900	22,700
Total income tax expense	$ 487,307	$ 561,200

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2018	2017
Computed at the statutory rate (2018 - 21%; 2017 - 34%)	$ 386,398	$ 495,977
Changes resulting from:		
Nondeductible meals and entertainment	235	654
State income taxes - net of federal tax benefit	100,442	66,519
Other	232	(1,950)
Actual tax provision	$ 487,307	$ 561,200

The tax effects of temporary differences related to deferred taxes shown on the consolidated statement of financial position were:

	2018	2017
Deferred tax assets		
Accrued vacation	$ 3,200	$ 7,300
Deferred tax liability		
Book/tax difference on fixed assets	(5,900)	(7,100)
Net deferred tax asset (liability)	$ (2,700)	$ 200

The above net deferred tax asset is presented on the consolidated statement of financial position as follows:

	2018	2017
Noncurrent deferred tax asset	$ -	$ 200
Noncurrent deferred tax liability	(2,700)	-
Net deferred tax asset (liability)	$ (2,700)	$ 200

On December 22, 2017, the United States enacted tax reform legislation through the *Tax Cuts and Jobs Act*, which significantly changes the existing U.S. tax laws, including a reduction in the corporate tax rate from 34 percent (34%) to 21 percent (21%), as well as other changes. As a result of enactment of the legislation, the Company remeasured certain deferred tax assets and liabilities for the year ended December 31, 2017, which did not have a material effect on the 2017 tax provision, and will utilize this new rate effective January 1, 2018.

Note 11: Commitments

On December 31, 2018, Insurance Services entered into a two-year employment contract with the President of the Company, effective January 1, 2019. This contract provides for a base compensation, including a fixed salary, along with incentive compensation based on dividends paid.

On December 31, 2018, Insurance Services entered into a separation agreement with an employee which is accrued as of December 31, 2018, in the accounts payable and accrued liability line item on the accompanying consolidated statement of financial position.

On April 4, 2017, Insurance Services entered into an agreement with the President of Insurance Services effective July 1, 2017. The agreement stated the President will continue to serve as President of Insurance Services and continue to be compensated pursuant to the terms of his last Employment Contract, effective July 1, 2016. In addition, the President will receive two weeks of vacation and the Company will pay to the President all accrued and unused vacation, which totaled approximately $80,000 as of December 31, 2017. The President resigned his position as President of Insurance Services effective December 31, 2017. Insurance Services, in recognition of the President's outstanding years of service to Insurance Services, elected to pay the President a severance of approximately $196,000, which is accrued as of December 31, 2017, in the accounts payable and accrued liability line item on the accompanying consolidated statement of financial position.

Note 12: Profit Sharing Plan and 401(k) Plan

Insurance Services administers a non-contributory, defined contribution retirement plan (the Defined Contribution Plan) for its employees. All employees who have attained the age of 21 and completed 1,000 hours of service during a 12-month period are eligible. The right to discontinue the Defined Contribution Plan has been reserved by Insurance Services and, in such event, the trust fund must be used for the exclusive benefit of participants. Insurance Services' annual contribution for the Defined Contribution Plan is seven percent (7%) of each participant's annual salary. Additionally, Insurance Services has a 401(k) plan and Insurance Services matches employee contributions up to an additional four percent (4%) of compensation. Insurance Services contributed $62,126 and $89,334 to the plans in 2018 and 2017, respectively.

Retirement benefits for the Foundation are provided under the administrative services agreement with the Academy.

Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Investments				
Common and preferred stock	$ 6,043,839	$ 6,043,839	$ -	$ -
Equity mutual funds	3,040,636	3,040,636	-	-
Fixed income mutual funds	786,893	786,893	-	-
Corporate bonds	1,730,302	-	1,730,302	-
Treasury and federal agency obligations	1,081,131	-	1,081,131	-
Pooled investment funds	1,364,824	-	1,364,824	-
Beneficial interest in trust assets	54,361	-	54,361	-
	14,101,986	$ 9,871,368	$ 4,230,618	$ -
Cash and cash equivalents	1,109,913			
Total investments and beneficial interest in trusts	$ 15,211,899			

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Investments				
Money market accounts	$ 422,835	$ 422,835	$ -	$ -
Common and preferred stock	6,532,696	6,532,696	-	-
Equity mutual funds	4,386,243	4,386,243	-	-
Fixed income mutual funds	1,264,911	1,264,911	-	-
Corporate bonds	1,679,838	-	1,679,838	-
Treasury and federal agency obligations	1,094,193	-	1,094,193	-
Pooled investment funds	1,454,405	-	1,454,405	-
Hedge fund	2,207	-	-	2,207
Beneficial interest in trust assets	59,376	-	59,376	-
Total investments and beneficial interest in trusts	$ 16,896,704	$ 12,606,685	$ 4,287,812	$ 2,207

Following is a description of the valuation methodologies and inputs used for assets and measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The value of certain investments, classified as pooled investments and hedge fund, is determined using net asset value (or its equivalent) as a practical expedient. The pooled investment fund invests primarily in publicly traded mutual funds and a limited partnership. Investment income and realized and unrealized gains and losses from securities in the pooled investment fund are allocated monthly to the fund partners based on the relationship of the fair value of the interest of each partner's account to the total fair value of the pooled investment fund, as adjusted for additions to or deductions from those accounts. The Foundation has the ability to redeem the pooled investments at any time and has, therefore, categorized these investments as Level 2. The underlying investments of the hedge fund include a portfolio of alternative investments funds. The hedge fund is currently in liquidation with the final payouts occurring in 2018. As the hedge fund is invested in alternative investment funds without observable inputs, the Foundation has categorized the investment as Level 3 in 2017.

Fair value determinations for Level 3 measurements of securities are the responsibility of management. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Beneficial Interest in Trust Assets

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.