

**OHIO ACADEMY OF FAMILY
PHYSICIANS
FINANCIAL STATEMENTS
DECEMBER 31, 2009**

OHIO ACADEMY OF FAMILY PHYSICIANS

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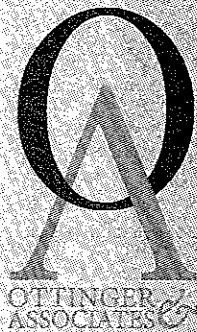
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Ohio Academy of Family Physicians
Columbus, Ohio

We have reviewed the accompanying statement of financial position of the Ohio Academy of Family Physicians (a nonprofit organization) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended, in accordance with statements on standards for accounting and review services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Ohio Academy of Family Physicians.

A review consists principally of inquiries of the Academy's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 13 to the financial statements, the Ohio Academy of Family Physicians has elected not to consolidate its financial statements with the Ohio Academy of Family Physicians Foundation. In our opinion, accounting principles generally accepted in the United States of America require that the financial statements be consolidated.

Based on our review, except for the election to not consolidate the financial statements with the required entity, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in The United States of America.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in The United States of America. The information included in the accompanying schedules of general and administrative expenses and other income/(expense) are presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made to them.

BUSINESS AND
ACCOUNTING
SERVICES

February 23, 2010

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**OHIO ACADEMY OF FAMILY PHYSICIANS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009**

ASSETS

Current Assets:

| | |
|---|-------------------------|
| Cash and Cash Equivalents (Notes 1, 9 and 10) | \$ 418,386 |
| Investments – AAAP Pooled Fund (Note 2) | 1,058,449 |
| Accounts Receivable (Note 5) | 84,158 |
| Prepaid Expenses | <u>24,832</u> |
| Total Current Assets | <u>1,585,825</u> |

Other Assets:

| | |
|---|---------------------------|
| Investment in Core Content (Note 11) | 199,840 |
| Land, Building & Equipment – Net of Accumulated Depreciation (Notes 1 and 3) | <u>202,139</u> |
| Total Assets | <u>\$1,987,804</u> |

LIABILITIES AND NET ASSETS

Liabilities:

| | |
|---------------------------|----------------|
| Accounts Payable (Note 5) | \$ 79,484 |
| Accrued Vacation | 36,494 |
| Deferred Revenue (Note 1) | <u>295,129</u> |
| Total Liabilities | 411,107 |

| | |
|--|-------------------------|
| <u>Unrestricted Net Assets (Note 1)</u> | <u>1,576,697</u> |
|--|-------------------------|

| | |
|---|---------------------------|
| Total Liabilities and Net Assets | <u>\$1,987,804</u> |
|---|---------------------------|

See Independent Accountants' Report and Accompanying Notes to Financial Statements.

**OHIO ACADEMY OF FAMILY PHYSICIANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

CHANGES IN NET ASSETS:

Changes in Unrestricted Net Assets:

Increases in Unrestricted Net Assets:

| | |
|---------------------------------------|--------------|
| Dues and Advertising | \$ 738,933 |
| Educational Programs | 196,199 |
| Legislation and Advocacy | 14,920 |
| Investment Income – AAFP Pooled Funds | 24,590 |
| Dividends and Interest | <u>3,203</u> |

Total Increases in Unrestricted Net Assets 977,845

Decreases in Unrestricted Net Assets:

Program Expenses:

| | |
|--------------------------|---------------|
| Educational Programs | 75,530 |
| Communications | 58,538 |
| Legislation and Advocacy | 59,906 |
| Leadership | <u>86,331</u> |

Total Program Expenses 280,305

General and Administrative (Statement I) 671,385

Total Decreases in Unrestricted Net Assets 951,690

Net Increase in Unrestricted Net Assets Before Other Items 26,155

| | |
|---|----------------|
| Other Income/(Expense) – Net (Statement II) | (83,106) |
| Unrealized Gain on Investments | <u>229,199</u> |

Net Increase in Unrestricted Net Assets 172,248

Unrestricted Net Assets – Beginning of Year 1,404,449

Unrestricted Net Assets – End of Year \$ 1,576,697

See Independent Accountants' Report and Accompanying Notes to Financial Statements.

**OHIO ACADEMY OF FAMILY PHYSICIANS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Cash Flows From Operating Activities

Net Increase in Unrestricted Net Assets \$ 172,248

**Adjustments to Reconcile Net Increase in Unrestricted Net Assets
To Net Cash Provided by/(Used In) Operating Activities:**

| | |
|--------------------------------------|------------|
| Depreciation | 23,959 |
| Loss on Investment – Core Content | 37,274 |
| Unrealized Gain on Investments | (229,199) |
| Realized Loss on Sale of Investments | 52,628 |

Change in Operating Assets and Liabilities:

| | |
|---------------------------------|--------------|
| Decrease in Accounts Receivable | 13,192 |
| Decrease in Prepaid Expenses | 6,540 |
| Decrease in Retirement Contract | 11,956 |
| Increase in Accounts Payable | 28,353 |
| (Decrease) in Deferred Revenue | (17,616) |
| (Decrease) in Grant Payable | (750) |
| Increase in Accrued Vacation | <u>1,942</u> |

Net Cash Provided By Operating Activities 100,527

Cash Flows From Investing Activities

| | |
|--|------------------|
| Purchase of Equipment | (5,412) |
| Proceeds from Sale of Investments – AAFP Pooled Fund | 2,263 |
| Purchase of Investments – AAFP Pooled Fund | <u>(24,590)</u> |

Net Cash (Used In) Investing Activities (27,739)

Net Increase in Cash and Cash Equivalents 72,788

Cash and Cash Equivalents – Beginning of Year 345,598

Cash and Cash Equivalents – End of Year \$ 418,386

Supplemental Information:

Taxes Paid \$ -0-

Interest Paid \$ -0-

See Independent Accountants' Report and Accompanying Notes to Financial Statements.

**OHIO ACADEMY OF FAMILY PHYSICIANS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Ohio Academy of Family Physicians (“the Academy”) is a nonprofit organization. The Academy’s activities support its members and assist them in improving patient care in Ohio. These activities are funded by member dues, fees for member activities and support from vendors and sponsors. The Academy’s office is located in Columbus, Ohio and primarily operates within the boundaries of the state of Ohio.

Basis of Accounting

Assets, liabilities, net assets, revenue and expenses are recorded under the accrual method of accounting.

In order to observe restrictions which donors may place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities and activities are accounted for in the following net asset classifications:

Unrestricted Net Assets – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by actions of The Academy to meet the stipulations or become unrestricted at the date specified by the donor. As of December 31, 2009, The Academy had no temporarily restricted net assets.

Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invested permanently by The Academy. The donors require The Academy to use all or part of the investment return on these net assets for specified or unspecified purposes. As of December 31, 2009, The Academy had no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the financial statements, the Academy considers all checking, savings and money market accounts (maturities of three months or less) to be cash and cash equivalents. No interest or taxes were paid by the Academy.

**OHIO ACADEMY OF FAMILY PHYSICIANS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

These assets are recorded at cost or, if donated, at the estimated fair market value upon receipt. The depreciation is calculated using the straight-line method over the estimated useful life of the assets, ranging from five years to forty years. The Academy's capitalization policy includes capitalizing purchases of equipment that is greater than \$500. Repair and maintenance costs are charged to expense as incurred.

Deferred Revenue

Deferred revenue represents the funds already received for 2010 dues and registration fees for 2010 programs. These amounts are deferred and recognized as revenue in the following year.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been allocated on a functional basis among the various programs and support services. Expenses are identified with specific programs or support services and recorded accordingly.

Federal Income Taxes

The Academy is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, except for advertising and readership income, which is classified as unrelated business income. The Academy did not pay any income tax as of December 31, 2009. In addition, the Academy has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 (a) of the Code.

NOTE 2 – INVESTMENTS – AAFP POOLED FUND

The AAFP Pooled Fund is stated at fair market value as of December 31, 2009. Investments in equity securities with readily determinable fair values and investments in debt securities are carried at fair value in the statements of financial position. The fair values of all investments are determined using quoted prices in active markets for identical assets (Level 1, as defined in Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*). This is now Accounting Standards Codification 820 (ASC 820). Realized and unrealized gains or losses are recognized in the statement of activities as increases or decreases in unrestricted net assets.

**OHIO ACADEMY OF FAMILY PHYSICIANS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2009:

| | |
|---|--------------------------|
| Land | \$ 22,000 |
| Building and Improvements | 485,101 |
| Furniture and Equipment | <u>75,929</u> |
| Total Property and Equipment | 583,030 |
| Accumulated Depreciation | <u>(380,891)</u> |
| Total Net Property and Equipment | <u>\$ 202,139</u> |

Depreciation Expense for the year ended December 31, 2009 was \$23,959. Also, the Academy had disposed of equipment during the year, all of which were fully depreciated and resulted in no gain or loss on disposal.

NOTE 4 – OPERATING LEASES

The Academy has entered into several lease agreements for office equipment and the lease obligations are as follows:

| | |
|-------------------------|-----------------|
| December 31, 2010 | \$ 7,222 |
| December 31, 2011 | <u>7,222</u> |
| Total Lease Obligations | <u>\$14,444</u> |

NOTE 5 – RELATED PARTY TRANSACTIONS

The Academy receives reimbursement from Ohio Academy of Family Physicians Foundation (The Foundation); a nonprofit organization with Internal Revenue Code Section 501(c)(3) status. The Academy appoints one board member to the Foundation board of trustees. However, the Foundation is not under common control of the Academy board of directors. The reimbursements are for salaries, related benefits, payroll taxes and office expenses and were expended on behalf of the Foundation. As of December 31, 2009, the Academy has recorded a receivable from the Foundation of \$11,852 in relation to these reimbursed costs. Also, the Academy had a payable to the Foundation of \$650 related to dues commitment and other gifts. The Academy has provided the Foundation with dues commitment of \$58,725.

See Independent Accountants' Report and Accompanying Notes to Financial Statements.

**OHIO ACADEMY OF FAMILY PHYSICIANS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 6 – PENSION PLAN

The Academy has established a 401K pension plan. The plan establishes an individual retirement account for eligible employees. Eligible employees are at least 21 years of age and are paid \$300 or more in salary for any calendar year. The plan calls for contributions of nine and one half percent (9.5%) of the eligible employees' salary. During 2009, the Academy contributed \$ 33,020 into the plan.

NOTE 7 – CONTINGENT LIABILITIES

The Academy has entered into several contracts with various hotels to hold 2010 meetings. The total of \$25,505 represents the Academy's contingent liabilities if these events were cancelled, however, Management does not anticipate incurring any losses as a result of these contracts.

NOTE 8 – CONCENTRATION OF CREDIT RISK

As of December 31, 2009, the Academy had balances in the checking, money market and savings accounts, which have not exceeded the federally insured limit of \$250,000 with US Bank or Fidelity.

The investment in the AAFP Pooled Funds is not insured against any loss. The funds are invested in marketable securities and backed in full faith by the corporations in which the funds have shares of common stock. There is a risk that the Academy's funds could sustain a loss due to the fluctuations in the stock market.

The support provided by membership dues represents seventy-three percent (73%) of total support and revenue for the Academy. If it were to incur, a significant reduction in membership dues could adversely affect the Academy's programs.

NOTE 9 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2009 are comprised of the following accounts:

| | |
|----------------------------------|-------------------|
| US Bank Operating Checking | \$ 101,313 |
| US Bank Money Market | 54,946 |
| US Bank Reserves | 60,700 |
| Fidelity Money Market Reserves | 200,162 |
| Petty Cash and Undeposited Funds | <u>1,265</u> |
| Total Cash and Cash Equivalents | <u>\$ 418,386</u> |

See Independent Accountants' Report and Accompanying Notes to Financial Statements.

**OHIO ACADEMY OF FAMILY PHYSICIANS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments appearing on the statement of financial position for which it is practicable to estimate that value:

a. **Cash and cash equivalents**

Cash and cash equivalents consist principally of investments in short-term (three months or less), interest bearing instruments and are carried at cost plus accrued interest, which approximates fair value.

b. **Investments**

The fair value of investments which consists principally of debt and equity securities was based principally upon quoted market prices. Investment in CORE (Note 12) was determined by calculating The Academy's share of CORE unrestricted net assets.

NOTE 11 – INVESTMENT IN CORE CONTENT

The Academy has recorded its investment in Core Content Review (CORE), which is a joint venture between Connecticut and Ohio Academies. CORE is an educational program that provides self study courses for continuing education for physicians. The Academy appoints one member to the board of directors for CORE. Also, The Academy does not manage CORE and The Academy does not provide CORE with financial support.

Since Ohio Academy owns fifty-percent (50%) of Core, \$199,840 has been recorded as an asset on the statement of financial position, to properly reflect its investment. Annually, the Academy will adjust the carrying value of this investment to reflect any increase or decrease in its share of net assets of the joint venture. Therefore, the investment was decreased by \$37,274 and a corresponding amount was recorded as a loss on the investment on the statement of activities. The Academy had an accounts receivable from CORE of \$61,000 as of December 31, 2009.

**OHIO ACADEMY OF FAMILY PHYSICIANS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 12 – 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

NOTE 13 – DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Consolidation with Related Entity:

The Academy has elected to not consolidate its financial statements with the Ohio Academy of Family Physicians Foundation. The Academy believes that the financial statements alone without the consolidation provide a more meaningful presentation. If the financial statements were corrected for the departure from accounting principles generally accepted in the United States of America, net assets would be increased by \$819,578.

**OHIO ACADEMY OF FAMILY PHYSICIANS
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
(STATEMENT I)**

| | |
|--|--------------------------|
| Salaries | \$ 361,112 |
| Employee Insurance | 28,591 |
| Pension (Note 6) | 33,020 |
| Payroll Taxes | 28,889 |
| Staff Travel | 8,969 |
| Staff Education | 8,194 |
| Executive Vice President Expenses | 2,000 |
| Equipment Lease (Note 4) | 7,914 |
| Real Estate Taxes | 11,388 |
| Utilities and Maintenance | 20,655 |
| Telephone | 5,686 |
| General Postage | 5,825 |
| Office Supplies | 3,463 |
| Foundation Dues Commitment (Note 5) | 58,725 |
| Professional Fees | 3,965 |
| Payroll & Pension Service Fees | 3,385 |
| Depreciation (Notes 1 and 3) | 23,959 |
| Equipment and Software Maintenance | 9,390 |
| Equipment and Software | 834 |
| Bank Charges and Management Fees | 11,062 |
| Business Insurance | 9,139 |
| Miscellaneous | 1,310 |
| Advertising & Sponsorships | 11,866 |
| Bad Debt | 44 |
| Retirement Payments | <u>12,000</u> |
| Total General and Administrative Expenses | <u>\$ 671,385</u> |

See Independent Accountants' Report and Accompanying Notes to Financial Statements.

**OHIO ACADEMY OF FAMILY PHYSICIANS
SCHEDULE OF OTHER INCOME/(EXPENSES)
FOR THE YEAR ENDED DECEMBER 31, 2009
(STATEMENT II)**

Other Income:

| | |
|--|----------------------|
| Members Assembly | \$ 22,879 |
| Foundation Reimbursement (Note 5) | 7,381 |
| Gain on Investment – Retirement Contract | 192 |
| Miscellaneous | <u>2,559</u> |
| Total Other Income | <u>33,011</u> |

Less:

Other Expenses:

| | |
|--------------------------------------|-----------------------|
| Realized Loss on Sale of Investments | 52,620 |
| Loss on Investment – Core Content | 37,274 |
| Members Assembly | <u>26,223</u> |
| Total Other Expenses | <u>116,117</u> |

Other Income / (Expense) – Net **\$(83,106)**