KENTUCKY MEDICAL ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024 AND 18-MONTH
PERIOD ENDED DECEMBER 31, 2023
with
INDEPENDENT AUDITOR'S REPORT

CONTENTS

MATHER & COMPANY
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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Kentucky Medical Association

Opinion

We have audited the accompanying consolidated financial statements of Kentucky Medical Association (a non-profit organization) (the Association), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the Association's financial position as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Consolidated Financial Statements

The Association's consolidated financial statements as of and for the 18-month period ended December 31, 2023 were audited by other auditors whose report dated September 24, 2024, expressed an unmodified opinion on those consolidated financial statements.

Management's Responsibilities for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 consolidated 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 the Association'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2024 consolidated financial statements as a whole. The supplementary information on Schedule I is presented for purposes of additional analysis and is not a required part of the 2024 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2024 consolidated financial statements. The 2024 information has been subjected to the auditing procedures applied in the audit of the 2024 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2024 consolidated financial statements or to the 2024 consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the 2024 supplementary information is fairly stated in all material respects, in relation to the 2024 consolidated financial statements as a whole. The 2023 supplementary information on Schedule I was subjected to the auditing procedures applied in the 2023 audit of the basic 2023 consolidated financial statements by other auditors, whose report on such information stated that is was fairly stated in all material respects in relation to the 2023 consolidated financial statements as a whole.

Mather + Co. CPAs, LLC

Louisville, Kentucky
October 15, 2025

KENTUCKY MEDICAL ASSOCIATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSTITION
December 31, 2024 (and summarized comparative information as of December 31, 2023)

	2024						2023
	Without Donor Restrictions		With Donor Restrictions				
	Current Fund	Reserve Fund	Legal Trust Fund	The Kentucky Foundation for Medical Care, Inc.	Eliminations	Total Funds	Total Funds
ASSETS							
Current Assets							
Cash and cash equivalents	$ 1,075,765	$ 696,980	$ 186,675	$ 145,758	$ -	$ 2,105,178	$ 1,928,154
Cash held for third parties	400,128	-	-	-	-	400,128	-
Accounts receivable, net	37,181	-	-	1,025	(19,849)	18,357	33,183
Prepaid expenses	44,635	-	-	656	-	45,291	36,040
Total current assets	1,557,709	696,980	186,675	147,439	(19,849)	2,568,954	1,997,377
Investments							
Reserve Fund investments	-	2,806,834	-	-	-	2,806,834	2,802,312
The Kentucky Foundation for Medical Care, Inc. investments	-	-	-	2,243,445	-	2,243,445	2,113,946
Deferred annuity contracts	1,423,610	-	-	-	-	1,423,610	1,283,755
Total investments	1,423,610	2,806,834	-	2,243,445	-	6,473,889	6,200,013
Net property and equipment	112,337	-	-	-	-	112,337	75,037
Operating lease right-of-use assets, net	145,376	-	-	-	-	145,376	154,238
Total assets	$ 3,239,032	$ 3,503,814	$ 186,675	$ 2,390,884	$ (19,849)	$ 9,300,556	$ 8,426,665

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KENTUCKY MEDICAL ASSOCIATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – CONTINUED
December 31, 2024 (and summarized comparative information as of December 31, 2023)

	2024						2023
	Without Donor Restrictions		With Donor Restrictions				
	Current Fund	Reserve Fund	Legal Trust Fund	The Kentucky Foundation for Medical Care, Inc.	Eliminations	Total Funds	Total Funds
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable	$ 36,985	$ -	$ -	$ 20,529	$ (19,849)	$ 37,665	$ 40,778
Accrued expenses	168,566	-	-	-	-	168,566	222,190
Cash held for third parties	400,128	-	-	-	-	400,128	-
Contract liabilities:							
Deferred revenue	18,525	-	-	-	-	18,525	27,135
Unearned dues	661,282	-	-	-	-	661,282	708,006
Current portion of operating lease liabilities	37,690	-	-	-	-	37,690	31,164
Total current liabilities	1,323,176	-	-	20,529	(19,849)	1,323,856	1,029,273
Deferred compensation	1,424,242	-	-	-	-	1,424,242	1,283,755
Accrued expenses	41,804	-	-	-	-	41,804	27,104
Operating lease liabilities, net of current portion	98,930	-	-	-	-	98,930	121,641
Total liabilities	2,888,152	-	-	20,529	(19,849)	2,888,832	2,461,773
Net assets							
Without donor restrictions	350,880	3,503,814	-	-	-	3,854,694	3,519,662
With donor restrictions	-	-	186,675	2,370,355	-	2,557,030	2,445,230
Total net assets	350,880	3,503,814	186,675	2,370,355	-	6,411,724	5,964,892
Total liabilities and net assets	$ 3,239,032	$ 3,503,814	$ 186,675	$ 2,390,884	$ (19,849)	$ 9,300,556	$ 8,426,665

See accompanying notes.

KENTUCKY MEDICAL ASSOCIATION

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2024 and 18-month period ended December 31, 2023

	2024			2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues						
Association dues	**$ 1,588,685**	**$ -**	**$ 1,588,685**	$ 2,690,477	$ -	$ 2,690,477
Education income	**118,360**	**109,963**	**228,323**	176,884	20,964	197,848
Publications income	**13,395**	**-**	**13,395**	17,995	-	17,995
Royalty income	**128,401**	**-**	**128,401**	117,703	-	117,703
Interest and dividend income	**133,961**	**58,092**	**192,053**	152,500	71,683	224,183
Donations	**-**	**12,936**	**12,936**	-	27,647	27,647
Other revenues	**142,779**	**-**	**142,779**	158,832	-	158,832
Satisfaction of program restrictions	**289,263**	**(289,263)**	**-**	252,259	(252,259)	-
Total operating revenues	**2,414,844**	**(108,272)**	**2,306,572**	3,566,650	(131,965)	3,434,685
Operating expenses						
Program	**2,040,671**	**-**	**2,040,671**	3,194,146	-	3,194,146
General and administrative	**380,005**	**-**	**380,005**	637,988	-	637,988
Fundraising	**2,484**	**-**	**2,484**	6,035	-	6,035
Total operating expenses	**2,423,160**	**-**	**2,423,160**	3,838,169	-	3,838,169
Operating changes in net assets	**(8,316)**	**(108,272)**	**(116,588)**	(271,519)	(131,965)	(403,484)
Other revenues and (expenses)						
Gain (loss) on sales of property and equipment	**13,619**	**-**	**13,619**	(11,242)	-	(11,242)
Investment income, net	**329,729**	**220,072**	**549,801**	417,169	284,793	701,962
Other revenues and (expenses), net	**343,348**	**220,072**	**563,420**	405,927	284,793	690,720
Changes in net assets	**335,032**	**111,800**	**446,832**	134,408	152,828	287,236
Net assets at beginning of period	**3,519,662**	**2,445,230**	**5,964,892**	3,385,254	2,292,402	5,677,656
Net assets at end of period	**$ 3,854,694**	**$ 2,557,030**	**$ 6,411,724**	$ 3,519,662	$ 2,445,230	$ 5,964,892

See accompanying notes.

KENTUCKY MEDICAL ASSOCIATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year ended December 31, 2024 and 18-month period ended December 31, 2023

	2024				2023			
	Program	**General and Administrative**	**Fundraising**	**Total**	Program	General and Administrative	Fundraising	Total
Advocacy	**$ 179,895**	**$ -**	**$ -**	**$ 179,895**	$ 307,280	$ -	$ -	$ 307,280
Annual meeting	**96,548**	**-**	**2,484**	**99,032**	187,141	-	6,035	193,176
Board and meeting	**77,911**	**-**	**-**	**77,911**	132,233	-	-	132,233
Computer/equipment supplies and maintenance	**29,830**	**12,784**	**-**	**42,614**	50,959	21,839	-	72,798
Credit card fees	**26,407**	**-**	**-**	**26,407**	44,531	-	-	44,531
Depreciation	**11,636**	**4,987**	**-**	**16,623**	23,937	10,258	-	34,195
Dues, subscriptions, and continuing education	**-**	**15,099**	**-**	**15,099**	-	19,783	-	19,783
Education	**127,442**	**-**	**-**	**127,442**	76,262	-	-	76,262
Insurance - general	**21,470**	**9,201**	**-**	**30,671**	23,422	10,038	-	33,460
KMA publications	**39,379**	**-**	**-**	**39,379**	66,236	-	-	66,236
Leadership program	**95,650**	**-**	**-**	**95,650**	156,729	-	-	156,729
Membership	**22,826**	**-**	**-**	**22,826**	32,282	-	-	32,282
Lease costs	**34,703**	**14,873**	**-**	**49,576**	216,999	93,000	-	309,999
Office salaries and benefits	**1,116,071**	**247,357**	**-**	**1,363,428**	1,597,807	315,902	-	1,913,709
Office supplies	**465**	**199**	**-**	**664**	889	381	-	1,270
Other	**15,311**	**9,857**	**-**	**25,168**	55,236	67,846	-	123,082
Payroll taxes	**72,848**	**16,146**	**-**	**88,994**	86,568	37,100	-	123,668
Printing and postage	**-**	**524**	**-**	**524**	-	14,211	-	14,211
Professional services	**20,348**	**46,447**	**-**	**66,795**	43,645	44,070	-	87,715
Promotional	**-**	**-**	**-**	**-**	46	-	-	46
Public education	**25,715**	**-**	**-**	**25,715**	45,381	-	-	45,381
Telephone	**5,907**	**2,531**	**-**	**8,438**	8,307	3,560	-	11,867
Website and social media	**20,309**	**-**	**-**	**20,309**	38,256	-	-	38,256
Total expenses	**$ 2,040,671**	**$ 380,005**	**$ 2,484**	**$ 2,423,160**	$ 3,194,146	$ 637,988	$ 6,035	$ 3,838,169

See accompanying notes.

KENTUCKY MEDICAL ASSOCIATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
Year ended December 31, 2024 and 18-month period ended December 31, 2023

	2024						2023
	Without Donor Restrictions		With Donor Restrictions				
	Current Fund	Reserve Fund	Legal Trust Fund	The Kentucky Foundation for Medical Care, Inc.	Eliminations	Total Funds	Total Funds
Cash flows from operating activities							
Changes in net assets	**$ 279,133**	**$ 55,899**	**$ 112**	**$ 111,688**	**$ -**	**$ 446,832**	$ 287,236
Adjustments to reconcile changes in net assets to net cash flows (used in) provided by operating activities:							
Depreciation	**16,623**	**-**	**-**	**-**	**-**	**16,623**	34,195
(Gain) loss on sales of property and equipment	**(13,619)**	**-**	**-**	**-**	**-**	**(13,619)**	11,242
Amortization of operating lease right-of-use assets	**-**	**-**	**-**	**-**	**-**	**-**	23,451
Net gain on sales of investments	**-**	**(138,801)**	**-**	**(67,522)**	**-**	**(206,323)**	(67,440)
Net unrealized gain on investments	**-**	**(190,928)**	**-**	**(152,550)**	**-**	**(343,478)**	(634,522)
Reinvested dividend and interest income	**-**	**(98,985)**	**-**	**(58,092)**	**-**	**(157,077)**	-
Changes in:							
Accounts receivable	**15,851**	**-**	**-**	**(1,025)**	**-**	**14,826**	(31,189)
Prepaid expenses	**(9,174)**	**-**	**-**	**(77)**	**-**	**(9,251)**	10,883
Deferred annuity contracts	**(139,855)**	**-**	**-**	**-**	**-**	**(139,855)**	(141,306)
Accounts payable	**(3,793)**	**-**	**-**	**680**	**-**	**(3,113)**	4,994
Accrued expenses	**(38,924)**	**-**	**-**	**-**	**-**	**(38,924)**	58,738
Deferred revenue	**(8,610)**	**-**	**-**	**-**	**-**	**(8,610)**	(39,610)
Unearned dues	**(46,724)**	**-**	**-**	**-**	**-**	**(46,724)**	(289,840)
Deferred compensation	**140,487**	**-**	**-**	**-**	**-**	**140,487**	141,306
Operating lease right-of-use assets and liabilities	**(7,323)**	**-**	**-**	**-**	**-**	**(7,323)**	(24,884)
Net cash flows (used in) provided by operating activities	**184,072**	**(372,815)**	**112**	**(166,898)**	**-**	**(355,529)**	(656,746)

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KENTUCKY MEDICAL ASSOCIATION

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED
Year ended December 31, 2024 and 18-month period ended December 31, 2023

	2024						2023
	Without Donor Restrictions		With Donor Restrictions				
	Current Fund	Reserve Fund	Legal Trust Fund	The Kentucky Foundation for Medical Care, Inc.	Eliminations	Total Funds	Total Funds
Cash flows from investing activities							
Purchases of property and equipment	$ (62,304)	$ -	$ -	$ -	$ -	$ (62,304)	$ (25,952)
Proceeds from sales of property and equipment	22,000	-	-	-	-	22,000	-
Proceeds from sales of investments	-	607,655	-	181,330	-	788,985	-
Purchases of investments	-	(183,463)	-	(32,665)	-	(216,128)	-
Change in investments, net	-	-	-	-	-	-	(159,513)
Net cash flows provided by (used in) investing activities	(40,304)	424,192	-	148,665	-	532,553	(185,465)
Change in cash and cash equivalents	143,768	51,377	112	(18,233)	-	177,024	(842,211)
Transfers to (from) other funds	(13,040)	-	-	13,040	-	-	-
Cash and cash equivalents at beginning of period	945,037	645,603	186,563	150,951	-	1,928,154	2,770,365
Cash and cash equivalents at end of period	$ 1,075,765	$ 696,980	$ 186,675	$ 145,758	$ -	$ 2,105,178	$ 1,928,154
Supplemental disclosure of cash flow information and noncash investing and financing activities							
Obtaining operating right-of-use assets in exchange for operating lease liabilities	$ 14,207	$ -	$ -	$ -	$ -	$ 14,207	$ 177,689

For purposes of the 2024 consolidated statement of cash flows: Cash held for third parties totaling $400,128 as reported on the 2024 consolidated statement of financial position is not considered for statement of cash flow purposes above because such funds are not available for use by the Association.

See accompanying notes.

1. Nature of organization and summary of significant accounting policies

Nature of organization – Kentucky Medical Association (KMA) is a professional organization representing Kentucky physicians. Operations are primarily funded by annual dues collected from KMA member physicians. Assets, liabilities, and net assets of KMA and The Kentucky Foundation for Medical Care, Inc. (collectively, the Association) are reported on the accompanying consolidated financial statements in self-balancing funds. All significant intercompany transactions and accounts have been eliminated. The funds are as follows:

Current Fund – Reflects the unrestricted resources available for operations including legislative monitoring, continuing medical education for physicians, and ongoing investigation of and recommendations on social economic issues.

Reserve Fund – Reflects the unrestricted long-term investments of KMA.

Legal Trust Fund – Reflects resources provided by voluntary contributions restricted to support the legal efforts of any active KMA member to effect change of, or gain redress from, legislation, government regulations, or third-party policies when so approved by trustees of the fund.

The Kentucky Foundation for Medical Care, Inc. (KFMC) – KFMC is a not-for-profit organization established in 1971 for charitable, educational, and scientific purposes related to physicians and the general public. Operations are funded by contributions and grants. The KMA Board of Trustees annually appoints KFMC's Board of Directors. KFMC is an Internal Revenue Code (IRC) Section 509(a)(3) supporting organization for KMA.

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, support, gains, losses, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Association's net assets and changes therein are classified as follows on the accompanying consolidated financial statements:

Net assets without donor restrictions – Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the Association's primary objectives. Net assets without donor restrictions may be designated for specific purposes by the Association's Board of Directors which makes them unavailable for use at management's discretion.

Net assets with donor restrictions – Net assets with donor restrictions represent net assets whose use by the Association is subject to donor-imposed stipulations that may be fulfilled by actions of the Association pursuant to those stipulations, or that expire by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2024 and 2023, there were no net assets restricted in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying consolidated statements of activities and changes in net assets.

Estimates – Consolidated financial statements prepared in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and certain reported amounts of revenues, support, gains, losses, and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair value measurements – The Association applies the *Fair Value Measurement* topic of the Accounting Standards Codification (ASC) which requires determination of fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The *Fair Value Measurement* topic emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and applies in conjunction with other ASC topics that require or permit fair value measurements and disclosures. Impacted assets and liabilities are measured and disclosed in one of three categories based on the significance and source of the inputs to their valuation. The hierarchy consists of three broad levels: Level 1, Level 2, and Level 3. Level 1 inputs have the highest priority and consist of observable unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access. Level 2 inputs include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs have the lowest priority, are unobservable, and include judgments about the assumptions that market participants would use in pricing the asset or liability.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Management uses specific valuation techniques based on the available inputs to measure the fair values of the Association's impacted assets and liabilities. When available, management measures fair values using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The valuation methods used by the Association may produce fair value calculations that may not be indicative of net realizable values, or reflective of future fair values. Furthermore, while management believes the valuation methods utilized by the Association are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair values of certain assets and liabilities could result in different fair value measurements as of December 31, 2024 and 2023.

Revenues and support – The Association recognizes revenue generated from membership dues in accordance with ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606). Accordingly, such revenue is recognized when promised services are transferred to members in an amount that reflects consideration to which the Association expects to be entitled in exchange for those services by utilizing the following five-step process whereby management 1) identifies the contract(s) with a member; 2) identifies the performance obligations in each contract; 3) determines the transaction price; 4) allocates the transaction price to the performance obligations in each contract; and 5) recognizes revenue when or as a performance obligation is satisfied.

The Association primarily offers month-to-month and annual membership terms. The Association satisfies its performance obligations and recognizes revenue from membership dues evenly over the membership terms as its members simultaneously receive and consume the benefits. Generally, membership commences upon the Association's receipt of payment, but in some instances the Association recognizes membership dues receivable and the corresponding revenue based upon a commitment from the member to remit the dues. Payments received for membership dues in advance of the Association satisfying its performance obligations are recorded as contract liabilities on the accompanying consolidated statements of financial position.

Publications income consists primarily of advertising revenues, which are recognized as the advertisements are published. Education income is derived from grants, activity, and event registration fees, and is recognized in accordance with the event or activity. Royalty income is recognized in accordance with specific agreements. Donations are recognized as revenue in the period when received. Unconditional grants are recognized in the period of award and conditional grants are recognized upon compliance with applicable conditions. Other income is recognized as received and consists primarily of monthly management fees collected for providing certain management services to third parties.

Functional expenses – The accompanying consolidated financial statements report certain expenses attributable to more than one program or support activity. Accordingly, those costs are allocated among programs and/or activities benefited. Office salaries, payroll taxes, and employee benefits are allocated based on employees' direct time spent on program or support activities, or management's best estimate of time spent on such activities. Other expenses are based on management's best estimates based on time and effort or usage. Expenses which can be identified as benefiting a specific program category or supporting activity are directly charged to the applicable category or activity. Although the methods used by management to functionally allocate expenses are appropriate, alternative methods may provide different results than those reported on the accompanying consolidated financial statements.

Cash equivalents – The Association considers all short-term investments with a maturity of three months or less when purchased to be cash equivalents.

Cash held for third parties – Cash held for third parties represents cash collected on behalf of those parties resulting from management services provided by the Association on behalf of those parties. Such amounts are required to be remitted to the respective third parties and are not available for use by the Association.

Accounts receivable, net – Accounts receivable represent reimbursements amounts due to the Association and are presented net of the respective allowance for credit losses. The Association provides for estimated uncollectible amounts through a charge to credit losses and an adjustment to the allowance for credit losses based on historical collection experience. Accounts receivable are written-off through a charge to the allowance for credit losses after the Association has used reasonable collection efforts and deems them uncollectible. As of December 31, 2024 and 2023, all accounts receivable are expected to be collected. Therefore, no allowance for credit losses is recorded as of December 31, 2024 and 2023. There were no write-offs or recoveries for the year ended December 31, 2024 and the 18-month period ended December 31, 2023.

Investments – The Association's investments are valued at fair value as described in Note 3. Realized gains and losses on the Association's investments are recognized upon the sale of the related investments, and unrealized appreciation or depreciation is recognized at period end when the carrying values of the related investments are adjusted to their estimated fair values. Investment income, including gains and losses on investments, are reported as increases or decreases in net assets without donor restrictions unless a donor or law restricts their use, and includes gains and losses on investments bought and sold, as well as held during the year. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Investment-related fees charged to the Association for its investments are deducted from income earned on the investments and are not separately reflected on the accompanying consolidated statements of activities and changes in net assets. Consequently, investment return is reflected net of investment-related fees on the accompanying consolidated statements of activities and changes in net assets.

Deferred annuity contracts and deferred compensation – The Association has entered into deferred annuity contracts for the benefit of one of its current and two former employees. The related investments are held by a third party and are not under the Association's control. The investments are reflected at fair value, as determined by the third-party investment custodian, and are identified as deferred annuity contracts with a corresponding deferred compensation liability on the accompanying consolidated statements of financial position. These deferred annuity contracts have no impact on the Association's consolidated financial position, activities, or changes in net assets.

Property and equipment – Property and equipment are stated at cost at the date of acquisition, or fair value at date of receipt if donated. The Association's policy is to capitalize asset purchases exceeding $500. Depreciation is provided utilizing the straight-line method over the assets' estimated useful lives ranging from three to ten years.

Operating leases – The Association recognizes operating lease right-of-use assets and liabilities related to its operating leases based on the present value of the future leases payments over the lease term (which includes reasonably certain option periods) utilizing the interest rate implicit in the lease at inception, if determinable, or the Association's incremental borrowing rate if the lease does not have a readily determinable implicit interest rate; or the risk-free discount rate practical expedient available to non-public entities under Accounting Standards Codification (ASC) Topic 842, *Leases*. The Association's office lease does not have a readily determinable implicit interest rate. The Association's incremental borrowing rate at July 1, 2022, the date the Association adopted the cumulative accounting standards updates initially issued by the Financial Accounting Standards Board that amended the accounting for leases and codified in ASC Topic 842, *Leases*, was utilized to record the related initial operating lease right-of-use asset and liability. During the year ended December 31, 2024, the Association entered into a non-cancellable operating lease agreement for a vehicle and utilized the risk-free discount rate practical expedient available to non-public entities to record the related initial operating lease right-of-use asset and liability. Operating lease costs are recognized on a straight-line basis over the related lease term.

The Association has elected to account for lease and non-lease components as single lease components. The Association has also elected, for all underlying classes of leases, to not recognize lease right-of-use assets and liabilities for short-term leases that have a lease term of twelve months or less at lease commencement, and do not include an option to purchase the underlying asset that the Association is reasonably certain to exercise. The Association recognizes lease costs associated with any short-term leases on straight-line basis over the related lease terms.

Long-lived assets – The recoverability of property and equipment, and operating lease right-of-use assets is assessed by management whenever events or circumstances indicate that an asset, or group of related assets, may be impaired. Among the factors management continually evaluates are unfavorable market conditions, and the Association's current period and forecasted operating results and cash flows. Recoverability is measured by a comparison of the carrying amount of an asset, or group of related assets, to estimated undiscounted future cash flows expected to be generated by the asset, or group of related assets. If the carrying amount of an asset, or group of related assets, exceeds its estimated future undiscounted cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset, or group of related assets, exceeds the related fair value. Fair values are determined utilizing discounted cash flow analysis and rely on Level 3 inputs. Although management believes the estimates and assumptions used to evaluate the fair values of long-lived assets are reasonable, the use of different methodologies or assumptions to perform the evaluations could result in different fair value determinations.

No long-lived asset impairment loss has been recognized for the year ended December 31, 2024 and the 18-month period ended December 31, 2023.

Subsequent events – The Association's management has evaluated subsequent events through October 15, 2025, the date the consolidated financial statements were available for issue.

2. Liquidity and availability of resources

As part of the Association's liquidity management, the Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Association's financial assets available within one year of December 31, 2024 for general expenditure, liabilities, and other obligations are as follows:

Cash and cash equivalents	$ 2,105,178
Accounts receivable, net	18,357
Prepaid expenses	45,291
Reserve Fund investments	2,806,834
Kentucky Foundation for Medical Care, Inc. investments	2,243,445
	7,219,105
Unavailable to be used within one year due to donor restrictions for purposes or time	(2,557,030)
Total financial assets available to meet cash needs for general expenditures within one year	$ 4,662,075

3. Investments and fair value measurements

The following table presents the Association's investments measured at fair value on a recurring basis as of December 31, 2024 and 2023 based on the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	2024			
Mutual funds – equities	**3,111,271**	**-**	**-**	**3,111,271**
Mutual funds – fixed-income	**1,499,063**	**-**	**-**	**1,499,063**
Mutual funds – international	**439,945**	**-**	**-**	**439,945**
Total investments at fair value	**$ 5,050,279**	**$ -**	**$ -**	**$ 5,050,279**

	Level 1	Level 2	Level 3	Total
	2023			
Mutual funds – equities	$ 3,509,544	$ -	$ -	$ 3,509,544
Mutual funds – fixed-income	1,406,717	-	-	1,406,717
Total investments at fair value	$ 4,916,261	$ -	$ -	$ 4,916,261

The Association's investments in mutual funds are publicly traded and are valued at the measurement date of the security reported on the principal exchange on which traded.

There have been no changes in the valuation methodologies use to value the Association's investments during the year ended December 31, 2024 and the 18-month period ended December 31, 2023.

4. Net property and equipment

Net property and equipment consists of the following as of December 31, 2024 and 2023:

	2024	2023
Office furniture and fixtures	**$ 45,830**	$ 47,573
Computer equipment and software	**157,687**	157,002
Leasehold improvements	**4,370**	4,370
Automobiles	**51,948**	67,673
Total property and equipment	**259,835**	276,618
Less accumulated depreciation	**147,498**	201,581
Net property and equipment	**$ 112,337**	$ 75,037

5. Operating leases

The Association leases its offices under a non-cancellable operating lease agreement which expires in April 2028. The office lease contains predetermined fixed escalations of the minimum rent during the lease term. During the year ended December 31, 2024, the Association entered into a non-cancellable operating lease agreement to lease a vehicle through May 2027. Operating lease costs total $44,535 for the year ended December 31, 2024, and $309,999 for the 18-month period ended December 31, 2023.

Other information related to operating leases for the year ended December 31, 2024 and the 18-month period ended December 31, 2023 is as follows:

	2024	2023
Weighted-average remaining lease terms	3.27 years	4.33 years
Weighted-average discount rate	7.6%	6.0%

As of December 31, 2024, future minimum lease payments required under non-cancellable operating leases for subsequent years are as follows:

2025	$ 46,351
2026	47,573
2027	46,020
2028	14,544
Total future minimum lease payments	154,488
Less discount	17,868
Operating lease liabilities	$ 136,620

6. Contract liabilities

The following table provides information regarding changes in contract liabilities for the year ended December 31, 2024:

	Deferred Revenue	Unearned Dues
Balance at beginning of year	$ 27,135	$ 708,006
Receipts	102,350	721,433
Revenue recognized	(110,960)	(768,157)
Balance at end of year	$ 18,525	$ 661,282

As of July 1, 2022, contract liabilities related to deferred revenue and unearned dues totaled $66,745 and $997,846, respectively.

7. Net assets with donor restrictions

Net assets with donor restrictions as of December 31, 2024 and 2023 consist of the following:

	2024	2023
Benevolent fund	**$ 2,370,355**	$ 2,258,667
Legal trust	**186,675**	186,563
Total assets with donor restrictions	**$ 2,557,030**	$ 2,445,230

The Association's net assets were released from donor restrictions by satisfying the purposes specified by donors as follows:

	2024	2023
Restricted for a specific purpose:		
Education	**$ 88,000**	$ 24,075
Community health initiatives	**20,000**	-
Kentucky Physicians Leadership Institute/Academy	**85,250**	73,516
Medical Student Outreach & Leadership Program	**10,400**	16,192
Rural Projects	**5,715**	7,940
Operations	**79,898**	130,536
Total net assets released from donor restrictions	**$ 289,263**	$ 252,259

8. Income taxes

KMA is exempt from income taxes under IRC Section 501(c)(6) and KFMC is exempt from income taxes under IRC Section 501(c)(3) as nonprofit organizations other than private foundations. However, the Association could be subject to federal income tax in a year in which unrelated business income is recognized. No unrelated business income is recognized for the year ended December 31, 2024 and the 18-month period ended December 31, 2023.

GAAP requires the Association's management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken uncertain tax positions that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken by the Association, and has concluded that as of December 31, 2024 and 2023, there are no uncertain positions taken, or expected to be taken, that would require recognition of a tax liability, or disclosure in the consolidated financial statements. The Association is subject to Internal Revenue Service examination for the years ended December 31, 2024 through 2021. However, there are currently no audits for any tax periods in progress.

9. Related party transactions

The Association paid McBrayer Law Firm $5,461, and Runswitch LLC $6,850 to administer Kentucky Physicians Political Action Committee (KPPAC) during the year ended December 31, 2024. The Association paid McBrayer Law Firm $13,500 to administer KPPAC during the 18-month period ended December 31, 2023. KMA has control but no economic interest in KPPAC.

KMA subleases office space and provides administrative services to KFMC. Revenues from this agreement and other reimbursed expenses total $61,320 for the year ended December 31, 2024, and $90,174 for the 18-month period ended December 31, 2023. These amounts are eliminated in consolidation.

10. Commitment

The Association has committed to pay minimums based upon days before cancellation notification has been given for a number of hotel rooms and catering service relating to its annual meeting. For the August 2025 annual meeting, the Association is required to pay a minimum of $29,491.

11. Risks, uncertainties, and concentrations

The Association typically maintains cash in financial institutions in excess of federally insured limits. As of December 31, 2024, the Association's uninsured cash balances total approximately $1.2 million.

The Association invests in various investment securities which are subject to various risks and uncertainties such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that reductions in the values of the Association's investment securities will occur in the near term and such reductions would affect amounts reported on the accompanying consolidated statements of financial position.

As of December 31, 2024 and 2023, the Association's investments were concentrated in various mutual funds. However, the Association's exposure to concentrations risk is limited because the investments within each mutual fund are further diversified into various underlying financial investments.

SUPPLEMENTARY INFORMATION

KENTUCKY MEDICAL ASSOCIATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2024 by Fund (and summarized comparative information for the 18-month period ended December 31, 2023)

	2024						2023
	Without Donor Restrictions		With Donor Restrictions				
	Current Fund	Reserve Fund	Legal Trust Fund	The Kentucky Foundation for Medical Care, Inc.	Eliminations	Total Funds	Total Funds
Operating revenues							
Association dues	$ 1,588,685	$ -	$ -	$ -	$ -	$ 1,588,685	$ 2,690,477
Service income	61,320	-	-	-	(61,320)	-	-
Education income	118,360	-	-	109,963	-	228,323	197,848
Publications income	13,395	-	-	-	-	13,395	17,995
Royalty income	128,401	-	-	-	-	128,401	117,703
Interest and dividend income	34,976	98,985	-	58,092	-	192,053	224,183
Donations	-	-	3,209	9,727	-	12,936	27,647
Other revenues	142,779	-	-	-	-	142,779	158,832
Satisfaction of program restrictions	289,263	-	(3,097)	(286,166)	-	-	-
Total operating revenues	2,377,179	98,985	112	(108,384)	(61,320)	2,306,572	3,434,685
Operating expenses							
Program	2,040,671	-	-	-	-	2,040,671	3,194,146
General and administrative	441,325	-	-	-	(61,320)	380,005	637,988
Fundraising	2,484	-	-	-	-	2,484	6,035
Total operating expenses	2,484,480	-	-	-	(61,320)	2,423,160	3,838,169
Operating changes in net assets	(107,301)	98,985	112	(108,384)	-	(116,588)	(403,484)

KENTUCKY MEDICAL ASSOCIATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
Year ended December 31, 2024 by Fund (and summarized comparative information for the 18-month period ended December 31, 2023)

	2024						2023
	Without Donor Restrictions		With Donor Restrictions				
	Current Fund	Reserve Fund	Legal Trust Fund	The Kentucky Foundation for Medical Care, Inc.	Eliminations	Total Funds	Total Funds
Other revenues and (expenses)							
Gain (loss) on sales of property and equipment	$ 13,619	$ -	$ -	$ -	$ -	$ 13,619	$ (11,242)
Investment income, net	-	329,729	-	220,072	-	549,801	701,962
Other revenues and (expenses), net	13,619	329,729	-	220,072	-	563,420	690,720
Changes in net assets	(93,682)	428,714	112	111,688	-	446,832	287,236
Transfer to (from) other funds	372,815	(372,815)	-	-	-	-	-
Net assets at beginning of period	71,747	3,447,915	186,563	2,258,667	-	5,964,892	5,677,656
Net assets at end of period	$ 350,880	$ 3,503,814	$ 186,675	$ 2,370,355	$ -	$ 6,411,724	$ 5,964,892

See independent auditor's report.