

Alpha Omega Alpha Honor Medical Society

Financial Statements

August 31, 2025 and 2024

(With Independent Auditor's Report Thereon)



Independent Auditor's Report

Board of Directors Alpha Omega Alpha Honor Medical Society

Opinion

We have audited the accompanying financial statements of Alpha Omega Alpha Honor Medical Society, which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alpha Omega Alpha Honor Medical Society as of August 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alpha Omega Alpha Honor Medical Society's ability to continue as a going concern for one year beyond the date the financial statements are available for issuance.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Board of Directors
Alpha Omega Alpha Honor Medical Society

In performing and audit in accordance with GAAS, we:

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

Kundinger, Corder & Montoya, P.C.

February 19, 2026

Alpha Omega Alpha Honor Medical Society
Statements of Financial Position
August 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 1,066,575	846,853
Investments (note 3)	30,999,069	28,970,159
Prepaid expenses and other assets	38,375	10,537
Operating lease right-of-use asset (note 6)	426,600	95,330
Total assets	\$ 32,530,619	29,922,879
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 211,385	210,548
Fellowships, grants, and awards payable (note 4)	341,287	403,781
Operating lease liability (note 6)	425,349	95,050
Deferred lifetime dues	10,391,780	10,168,499
Total liabilities	11,369,801	10,877,878
Net assets		
Without donor restrictions	21,017,325	18,907,802
With donor restrictions (note 5)	143,493	137,199
Total net assets	21,160,818	19,045,001
Commitment (note 7)		
Total liabilities and net assets	\$ 32,530,619	29,922,879

See the accompanying notes to the financial statements.

Alpha Omega Alpha Honor Medical Society
Statement of Activities
Year Ended August 31, 2025

	Without donor restrictions	With donor restrictions	Total
Operating revenue and support			
Membership dues	\$ 1,926,317	–	1,926,317
Insignia and other	230,070	–	230,070
Contributions	237,053	41,500	278,553
Net assets released from restrictions (note 5)	44,500	(44,500)	–
Total operating revenue and support	<u>2,437,940</u>	<u>(3,000)</u>	<u>2,434,940</u>
Operating expenses			
Program expenses			
<i>The Pharos</i>	622,000	–	622,000
Student awards	468,243	–	468,243
Leadership program	416,887	–	416,887
Chapter development and other	283,276	–	283,276
Visiting professorships	112,982	–	112,982
Insignia	228,964	–	228,964
Distinguished teacher awards	74,007	–	74,007
Professionalism awards	190,431	–	190,431
Total program expenses	<u>2,396,790</u>	<u>–</u>	<u>2,396,790</u>
Supporting services			
Management and general	445,109	–	445,109
Solicitations	31,621	–	31,621
Total supporting services	<u>476,730</u>	<u>–</u>	<u>476,730</u>
Total operating expenses	<u>2,873,520</u>	<u>–</u>	<u>2,873,520</u>
Change in net assets from operating activities	(435,580)	(3,000)	(438,580)
Nonoperating activities			
Investment return, net (note 3)	2,545,103	9,294	2,554,397
Change in net assets	2,109,523	6,294	2,115,817
Net assets, beginning of year	<u>18,907,802</u>	<u>137,199</u>	<u>19,045,001</u>
Net assets, end of year	<u>\$ 21,017,325</u>	<u>143,493</u>	<u>21,160,818</u>

See the accompanying notes to the financial statements.

Alpha Omega Alpha Honor Medical Society
Statement of Activities
Year Ended August 31, 2024

	Without donor restrictions	With donor restrictions	Total
Operating revenue and support			
Membership dues	\$ 1,899,492	–	1,899,492
Insignia and other	218,295	–	218,295
Contributions	214,249	–	214,249
Net assets released from restrictions (note 5)	4,500	(4,500)	–
Total operating revenue and support	<u>2,336,536</u>	<u>(4,500)</u>	<u>2,332,036</u>
Operating expenses			
Program expenses			
<i>The Pharos</i>	654,155	–	654,155
Student awards	435,603	–	435,603
Leadership program	321,086	–	321,086
Chapter development and other	287,751	–	287,751
Visiting professorships	113,281	–	113,281
Insignia	233,536	–	233,536
Distinguished teacher awards	86,980	–	86,980
Professionalism awards	172,079	–	172,079
Total program expenses	<u>2,304,471</u>	<u>–</u>	<u>2,304,471</u>
Supporting services			
Management and general	486,683	–	486,683
Solicitations	77,760	–	77,760
Total supporting services	<u>564,443</u>	<u>–</u>	<u>564,443</u>
Total operating expenses	<u>2,868,914</u>	<u>–</u>	<u>2,868,914</u>
Change in net assets from operating activities	(532,378)	(4,500)	(536,878)
Nonoperating activities			
Investment return, net (note 3)	3,721,737	15,259	3,736,996
Change in net assets	3,189,359	10,759	3,200,118
Net assets, beginning of year	<u>15,718,443</u>	<u>126,440</u>	<u>15,844,883</u>
Net assets, end of year	<u>\$ 18,907,802</u>	<u>137,199</u>	<u>19,045,001</u>

See the accompanying notes to the financial statements.

Alpha Omega Alpha Honor Medical Society
Statement of Functional Expenses
Year Ended August 31, 2025

	Programs							Supporting services					Total
	<i>The Pharos</i>	Student awards	Leadership	Chapter development & other	Visiting Professor- ships	Insignia	Distinguished teacher awards	Profession- alism awards	Total program services	Management and general	Solicitations	Total supporting services	
Salaries, benefits, taxes	\$ 359,114	119,878	139,200	214,909	32,241	21,218	20,673	109,932	1,017,165	103,936	–	103,936	1,121,101
Solicitations	–	–	–	–	–	–	–	–	–	–	31,621	31,621	31,621
Merchandise	–	–	–	–	–	204,838	–	–	204,838	–	–	–	204,838
Program support	213,664	331,934	258,608	38,910	76,322	–	50,500	65,431	1,035,369	–	–	–	1,035,369
Occupancy	30,721	10,255	11,908	18,385	2,758	1,815	1,769	9,404	87,015	8,891	–	8,891	95,906
Miscellaneous	–	–	–	–	–	–	–	–	–	26,792	–	26,792	26,792
Bank and other fees	–	–	–	–	–	–	–	–	–	70,090	–	70,090	70,090
Office expenses	18,501	6,176	7,171	11,072	1,661	1,093	1,065	5,664	52,403	5,354	–	5,354	57,757
Board expense	–	–	–	–	–	–	–	–	–	90,159	–	90,159	90,159
Technology upgrades	–	–	–	–	–	–	–	–	–	48,170	–	48,170	48,170
Insurance	–	–	–	–	–	–	–	–	–	7,097	–	7,097	7,097
Professional fees	–	–	–	–	–	–	–	–	–	84,620	–	84,620	84,620
Total functional expenses \$	622,000	468,243	416,887	283,276	112,982	228,964	74,007	190,431	2,396,790	445,109	31,621	476,730	2,873,520

See the accompanying notes to the financial statements.

Alpha Omega Alpha Honor Medical Society
Statement of Functional Expenses
Year Ended August 31, 2024

	Programs							Supporting services					Total
	<i>The Pharos</i>	Student awards	Leadership	Chapter development & other	Visiting Professor- ships	Insignia	Distinguished teacher awards	Profession- alism awards	Total program services	Management and general	Solicitations	Total supporting services	
Salaries, benefits, taxes	\$ 381,562	94,917	122,167	148,424	25,222	34,068	24,179	68,179	898,718	127,027	–	127,027	1,025,745
Solicitations	–	–	–	–	–	–	–	–	–	–	77,760	77,760	77,760
Merchandise	–	–	–	–	–	194,703	–	–	194,703	–	–	–	194,703
Program support	219,235	327,413	181,835	118,572	84,532	–	59,419	94,366	1,085,372	–	–	–	1,085,372
Occupancy	34,917	8,686	11,180	13,582	2,308	3,118	2,213	6,239	82,243	11,624	–	11,624	93,867
Miscellaneous	–	–	–	–	–	–	–	–	–	22,638	–	22,638	22,638
Bank and other fees	–	–	–	–	–	–	–	–	–	114,271	–	114,271	114,271
Office expenses	18,441	4,587	5,904	7,173	1,219	1,647	1,169	3,295	43,435	6,140	–	6,140	49,575
Board expense	–	–	–	–	–	–	–	–	–	62,417	–	62,417	62,417
Technology upgrades	–	–	–	–	–	–	–	–	–	26,345	–	26,345	26,345
Insurance	–	–	–	–	–	–	–	–	–	8,931	–	8,931	8,931
Professional fees	–	–	–	–	–	–	–	–	–	107,290	–	107,290	107,290
Total functional expenses \$	654,155	435,603	321,086	287,751	113,281	233,536	86,980	172,079	2,304,471	486,683	77,760	564,443	2,868,914

See the accompanying notes to the financial statements.

Alpha Omega Alpha Honor Medical Society
Statements of Cash Flows
August 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 2,115,817	3,200,118
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	(1,807,738)	(3,721,043)
Amortization of lifetime dues	(544,884)	(528,528)
Receipts of lifetime dues	768,165	735,903
Change in operating assets and liabilities		
Prepaid expenses and other assets	(359,108)	113,977
Accounts payable and accrued expenses	331,136	(49,624)
Fellowships, grants and awards payable	(62,494)	15,285
Net cash provided (used in) by operating activities	440,894	(233,912)
Cash flows from investing activities		
Purchase of investments	(702,698)	(549,689)
Proceeds from sale of investments	481,526	920,291
Net cash (used in) provided by investing activities	(221,172)	370,602
Increase in cash and cash equivalents	219,722	136,690
Cash and cash equivalents, beginning of year	846,853	710,163
Cash and cash equivalents, end of year	\$ 1,066,575	846,853

See the accompanying notes to the financial statements.

Alpha Omega Alpha Honor Medical Society

Notes to Financial Statements

August 31, 2025 and 2024

(1) Summary of Significant Accounting Policies

(a) Organization

Alpha Omega Alpha Honor Medical Society (AΩA) is a nonprofit honor medical society, organized in 1902, and currently has 138 self-directed chapters at medical schools in the United States and Lebanon. AΩA's financial statements do not include chapter financial activities.

AΩA publishes *The Pharos*, a quarterly, multidisciplinary, peer-reviewed medical humanities journal, and sponsors thirteen national fellowships, grants, and awards available to all students, residents, faculty, fellows, and community and private physicians. These awards include visiting professorships; distinguished teacher awards; student research fellowships; postgraduate research fellowships; essay and poetry awards; excellence in inclusion, diversity, and equity; and recognition for AΩA chapter administrative personnel and volunteer clinical faculty. AΩA promotes leadership through its Medical Student Service Leadership Project grant, Fellow in Leadership, and Professionalism awards.

AΩA's revenue is derived primarily from membership dues, return on investments, and contributions.

(b) Basis of Accounting

The accompanying financial statements of AΩA have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

AΩA is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of AΩA. These net assets may be used at the discretion of AΩA's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of AΩA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(d) Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributed to AΩA's ongoing activities and program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Alpha Omega Alpha Honor Medical Society

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Cash and Cash Equivalents

For purposes of the statements of cash flows, AΩA considers all highly liquid investments with an initial maturity of three months or less, and which are not held by investment managers as part of an investment portfolio, to be cash equivalents.

(f) Concentrations

Financial instruments which potentially subject AΩA to concentrations of credit risk consist of investments. Investments are made by investment consultants engaged by AΩA and are monitored by the Investment Committee of the Board of Directors and management. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of AΩA.

(g) Investments

AΩA reports investments at fair value. Fair value is determined as more fully described in note 1(h). AΩA's management is responsible for the fair value measurement of investments reported in the financial statements and believes the reported values are reasonable. Investment return consists of AΩA's distributive share of any interest, dividends, and capital gains and losses generated from investments. Investment gain or loss (including realized and unrealized gains and losses on investments) is included in the change in net assets in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

(h) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. generally accepted accounting principles establish a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assets are grouped in three levels based on the markets in which the assets are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Alpha Omega Alpha Honor Medical Society

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Fair Value Measurements, Continued

In addition, certain investments are reported using the “practical expedient” method. The practical expedient method allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met. Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy.

(i) Leases

AΩA has elected not to record in the statements of financial position a lease whose term is twelve months or less and does not include a purchase option that AΩA is reasonably certain to exercise. AΩA has elected to use the risk-free rate to determine the present value of the lease payments for the purpose of calculating the right of use assets and lease liabilities when the rate implicit to the lease is not readily determinable.

(j) Revenue Recognition

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any donor restrictions.

All donor-restricted support, including pledges, is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, (that is, when a 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 statements of activities as net assets released from donor restrictions.

Membership Dues

Management has determined membership dues do not represent a commensurate exchange of value between AΩA and the member and are, therefore, contributions. As such, AΩA’s annual membership dues are recognized as revenue at the time the payment is received. AΩA also offers the option of a one-time lifetime membership dues payment. Although lifetime membership dues are also contributions, AΩA chooses to record these payments as deferred lifetime dues and amortize them over the estimated membership service period, which is based on the member’s estimated age at the time of electing to pay lifetime dues. AΩA believes this method presents the most accurate representation of the intended use of these dues payments.

Insignia and Other

Revenue is recognized for insignia and other sales at the time of the sale when the goods are delivered to the buyer.

Alpha Omega Alpha Honor Medical Society

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. AΩA incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. AΩA also conducts a number of activities which benefit both program objectives as well as supporting services (i.e. management and general and solicitations activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as estimates of time and effort incurred by personnel. The expenses that are allocated are compensation and benefits and occupancy, which are allocated on the basis of estimates of time and effort.

(l) Estimates

The preparation of financial statements in conformity with GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Income Taxes

AΩA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, AΩA qualifies for the charitable contribution deduction. Income from activities not directly related to AΩA's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income subject to tax in 2025.

Management is required to evaluate tax positions taken by AΩA and to recognize a tax liability if AΩA has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. AΩA believes it has appropriate support for any tax positions taken and none would require recognition of a liability or disclosure in the financial statements. AΩA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes AΩA is no longer subject to income tax examinations for years prior to August 31, 2022.

(n) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported change in net assets.

(o) Subsequent Events

Management has evaluated subsequent events through February 19, 2026, the date the financial statements were available to be issued. No events were identified.

Alpha Omega Alpha Honor Medical Society

Notes to Financial Statements, Continued

(2) Liquidity and Availability of Financial Assets

The following represents AΩA's financial assets available for general expenditures within one year as of August 31:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,066,575	846,853
Operating investments	<u>29,946,737</u>	<u>28,017,283</u>
Financial assets available to meet cash expenditures over the next twelve months	\$ <u>31,013,312</u>	<u>28,864,136</u>

AΩA's financial assets available to meet cash needs for general expenditures within one year represent funding for ongoing operational requirements. General expenditures include administrative, program, and solicitation expenses incurred in the conduct of the AΩA's ongoing activities. In the normal course of operations, AΩA earns revenue from membership fees that are available to meet cash needs for general expenditures throughout the year. As part of its liquidity management, cash in excess of daily requirements is invested in investment funds that provide immediate liquidity.

Investments totaling \$143,493 and \$137,199 at August 31, 2025 and 2024, respectively, represent AΩA's donor-restricted endowment funds, which are subject to an annual spending policy, and the income from which is restricted for specific purposes as described in note 5.

(3) Investments

Investments are stated at fair value and consist of the following at August 31:

	<u>2025</u>	<u>2024</u>
Cash equivalents and short-term funds	\$ 20,136	62,633
Equities		
Exchange-traded funds	897,812	1,184,572
Equity mutual funds	15,037,770	15,114,565
Fixed income		
Bond mutual funds	13,511,894	11,792,712
Alternative investments		
Infrastructure fund	622,618	-
Hedge fund	<u>908,839</u>	<u>815,677</u>
	\$ <u>30,999,069</u>	<u>28,970,159</u>

AΩA has adopted investment and spending policies approved by the Board of Directors consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to ensure support for the long-term viability of AΩA's programs through consistent, predictable cash flows. The return objective shall be to earn 4.5% on average over longer periods of time (+/- 10 years). AΩA has a policy of appropriating for distribution each year 4% of the average value of the endowment assets over the last 12 quarters measured at June 30. AΩA employs an outside investment manager to manage its equity and fixed income portfolios, and these funds are largely invested across a highly diversified group of mutual funds.

Alpha Omega Alpha Honor Medical Society

Notes to Financial Statements, Continued

(3) Investments, Continued

AΩA's net investment return, including interest and dividends on cash and cash equivalents, consists of the following for the years ended August 31:

	<u>2025</u>	<u>2024</u>
Net realized and unrealized gains	\$ 1,807,738	3,721,043
Interest and dividends	801,103	69,069
Less investment fees	<u>(54,444)</u>	<u>(53,116)</u>
Net investment return	\$ <u>2,554,397</u>	<u>3,736,996</u>

The following table summarizes AΩA's investments by the fair value hierarchy levels as of August 31, 2025:

	<u>Fair Value</u>	<u>Assets Measured at NAV*</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 20,136	–	20,136	–	–
Exchange-traded funds	897,812	–	897,812	–	–
Mutual funds	28,549,664	–	28,549,664	–	–
Hedge fund (a)	908,839	908,839	–	–	–
Infrastructure fund (b)	<u>622,618</u>	<u>622,618</u>	–	–	–
Total	\$ <u>30,999,069</u>	<u>1,531,457</u>	<u>29,467,612</u>	<u>–</u>	<u>–</u>

The following table summarizes AΩA's investments by the fair value hierarchy levels as of August 31, 2024:

	<u>Fair Value</u>	<u>Assets Measured at NAV*</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 62,633	–	62,633	–	–
Exchange-traded funds	1,184,572	–	1,184,572	–	–
Mutual funds	26,907,277	–	26,907,277	–	–
Hedge fund (a)	<u>815,677</u>	<u>815,677</u>	–	–	–
Total	\$ <u>28,970,159</u>	<u>815,677</u>	<u>28,154,482</u>	<u>–</u>	<u>–</u>

* Certain investments measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

All assets have been valued using a market approach. There were no changes in the valuation techniques during the current year.

(a) The fair value of the multi-strategy hedge fund was determined using NAV, or its equivalent, and was based on financial information determined and reported by the investment manager. The multi-strategy hedge fund's investment objective is capital appreciation with limited variability of returns, which is achieved by allocating capital among several pooled entities, each managed by an independent investment advisor. Because the hedge fund is a closed-end investment company, the investment is redeemable only semi-annually with 95 days' notice. AΩA has no unfunded commitments to the fund as of August 31, 2025.

Alpha Omega Alpha Honor Medical Society

Notes to Financial Statements, Continued

(3) Investments, Continued

(b) The fair value of the Infrastructure Income fund is determined using NAV, or its equivalent, and was based on financial information determined and reported by the investment manager. The fund invests in both infrastructure debt and equity and maintains a liquidity sleeve. Assets are subject to a 2% early redemption fee if they are withdrawn within one year of the investment date. Since this is an open-ended vehicle, no capital calls are required.

(4) Fellowships, Grants, and Awards Payable

At August 31, 2025 and 2024, fellowships, grants, and awards payable total \$341,287 and \$403,781, respectively, and consist of approved but unpaid second- and third-year awards for various AQA programs, including Student Research, Post Graduate, and Medical Student Leadership awards.

(5) Endowment Funds

Net assets with donor restrictions are composed of AQA's endowment funds, which consist of the following as of August 31:

	<u>2025</u>	<u>2024</u>
Endowments subject to spending policy and appropriation		
Gifts restricted in perpetuity	\$ 102,761	103,715
Unexpended endowment earnings	<u>40,732</u>	<u>33,484</u>
Total net assets with donor restrictions	\$ <u>143,493</u>	<u>137,199</u>

AQA's donor-restricted endowment funds restricted in perpetuity consist of the following as of August 31:

	<u>2025</u>	<u>2024</u>
Dr. David J. and Diane L. de Harter Gift Endowment Fund (de Harter Fund)	\$ 71,500	70,000
Robert H. Moser Gift Endowment Fund (Moser Fund)	<u>31,261</u>	<u>33,715</u>
Total donor-restricted endowment funds	\$ <u>102,761</u>	<u>103,715</u>

Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The de Harter Fund endowment gift agreement established \$70,000, with a match of \$30,000 by AQA, to be invested in perpetuity. This fund supports AQA's Visiting Professorship program at the University of Wisconsin and is invested according to AQA's investment policy. Up to 4% of the average annual investment return is available for annual distributions. AQA has agreed to match the annual yield of the gift up to 4% of \$100,000 in the AQA investment pool.

The Moser Fund was established to issue a recurring Moser Writing award. The funds are invested under AQA's investment program described in note 3. At August 31, 2025 and 2024, net assets maintained in perpetuity related to the Moser Fund consist of original contributions plus accumulated earnings and appreciation.

Alpha Omega Alpha Honor Medical Society

Notes to Financial Statements, Continued

(5) Endowment Funds, Continued

AΩA has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, AΩA classifies as donor-restricted endowment funds to be maintained in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not retained in perpetuity are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by AΩA management in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, AΩA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of AΩA and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other AΩA resources
- (7) The investment policies of the AΩA

Following are the changes in the donor-restricted endowment net assets for 2025 and 2024:

Endowment net assets at August 31, 2023	\$ 126,440
Investment return, net	15,259
Endowment assets appropriated for expenditure	<u>(4,500)</u>
Endowment net assets at August 31, 2024	137,199
Investment return, net	9,294
Contributions	1,500
Endowment assets appropriated for expenditure	<u>(4,500)</u>
Endowment net assets at August 31, 2025	\$ <u>143,493</u>

Return Objectives and Risk Parameters

The primary investment objective is to generate income and assets to carry out the purpose of the endowment funds while reducing, to the greatest extent possible, the possibility of loss. Consistent with prudent standards of preservation of capital and maintenance of liquidity, the goal is to earn the highest possible total rate of return by investing in socially responsible investment vehicles, consistent with the investment guidelines and social criteria of AΩA.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, AΩA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). To achieve its long-term return objectives within prudent risk constraints, AΩA invests across a highly diversified group of mutual funds. AΩA has an active investment committee that consistently reviews allocations and returns.

Alpha Omega Alpha Honor Medical Society

Notes to Financial Statements, Continued

(5) Endowment Funds, Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

Investment income earned on endowment assets are to be used per donor intent. Distributions from the endowment funds shall not cause the fund's net asset value to drop below the restricted amount. In establishing the spending policy, AΩA considers the long-term expected return on its endowments. Accordingly, over the long term, AΩA expects the current spending policy to allow its investment portfolio to grow at an average of 4.5% annually. This is consistent with AΩA's objective to provide additional real growth through investment return.

(6) Operating Lease Right of Use Asset and Operating Lease Liability

AΩA leases office space under a non-cancelable operating lease that expires in October 2030. AΩA includes in the determination of the lease term any renewal options when the options are reasonably certain to be exercised. The operating lease provides for increases in future minimum annual rental payments.

The discount rate is the rate implicit in the lease. For instances where the rate implicit in the lease cannot be readily determined, AΩA uses a risk-free discount rate determined using a period comparable to the lease term.

The total operating lease costs for the years ended August 31, 2025 and 2024 totaled \$95,906 and \$93,866, respectively, and are included with occupancy in the statements of functional expenses. The weighted-average term and discount rates for the operating lease outstanding as of August 31 are as follows:

	<u>2025</u>	<u>2024</u>
Weighted-average term (years)	5.00	1.00
Weighted-average discount rate	3.53%	3.51%

The future minimum lease payments are as follows for the years ending August 31:

Undiscounted cash flows due in:

2026	\$ 73,150
2027	90,413
2028	93,127
2029	95,920
2030	98,792
Thereafter	<u>16,958</u>
Total undiscounted cash flows	468,360
Impact of present value discount	<u>(43,011)</u>
Lease liability recognized	\$ <u>425,349</u>

(7) Employee Retirement Plan

The employees of AΩA participate in a defined contribution plan under Section 403(b) of the Internal Revenue Code. AΩA is required to contribute 10% of employees' eligible compensation to the plan annually. Pension expense incurred for the years ended August 31, 2025 and 2024 was \$66,913 and \$66,825, respectively.