AMERICAN ACADEMY OF PEDIATRICS

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2020 AND 2019

C O N T E N T S

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Independent Auditor's Report

To the Board of Directors
American Academy of Pediatrics

Report on the Financial Statements

We have audited the accompanying financial statements of American Academy of Pediatrics (the "Academy"), which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Academy of Pediatrics as of June 30, 2020 and 2019 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A to the financial statements, the COVID-19 pandemic has impacted business operations. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, the Academy adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*; ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; and ASU No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to these matters.

To the Board of Directors
American Academy of Pediatrics

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2020 on our consideration of American Academy of Pediatrics' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Academy of Pediatrics' internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 2, 2020

American Academy of Pediatrics
STATEMENTS OF FINANCIAL POSITION

ASSETS	2020	2019 Restated
Cash and cash equivalents	$ 11,978,982	$ 6,108,346
Receivables		
Publications and supplements, net of allowance	893,110	1,090,993
Contracts and grants	5,233,806	5,183,883
Pledges receivable, net of allowance	775,166	2,117,610
Royalties	2,870,841	850,343
Advertising	474,110	534,243
Meetings	817,858	633,305
Other	507,611	672,551
Publication inventories, net of reserve for obsolescence of $249,000 in 2020 and $170,000 in 2019	1,458,857	1,539,114
Prepaid expenses	2,933,133	3,125,698
Investments	80,472,419	75,199,956
Property and equipment, net	53,849,423	56,120,689
Asset held for sale		5,000,000
Right to use asset, net	7,331,359	2,717,360
TOTAL ASSETS	$ 169,596,675	$ 160,894,091
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, trade	$ 735,281	$ 1,367,913
Chapter dues payable	799,686	1,040,748
Accrued expenses	3,644,993	4,352,073
Accrued salary and related expenses	9,413,687	9,843,607
Deferred revenues		
Membership dues	13,663,166	13,607,669
Pediatrics subscription fees	5,003,166	4,996,130
Pediatrics in Review subscriptions fees and Pediatrics Review and Education Program enrollment fees	3,275,174	3,812,933
Contracts and grants	2,316,362	3,816,319
Meetings	2,978,071	6,132,330
Other	2,097,737	2,109,102
Refundable advances	1,182,529	
Annuity payment liability	70,390	75,770
Capital lease obligations	98,353	242,580
Lease liability	7,485,883	2,717,360
PPP loan payable	10,000,000	
Building loan payable	43,083,333	44,616,243
TOTAL LIABILITIES	105,847,811	98,730,777
Net assets		
Without donor restrictions		
Board-designated		
Sections	4,197,960	3,523,049
Neonatal Resuscitation Program	200,000	200,000
Friends of Children	2,816,569	2,459,321
Tomorrow's Children Fund	1,352,861	1,330,970
Undesignated	45,755,085	46,376,885
Total without donor restrictions	54,322,475	53,890,225
With donor restriction	9,426,389	8,273,089
TOTAL NET ASSETS	63,748,864	62,163,314
TOTAL LIABILITIES AND NET ASSETS	$ 169,596,675	$ 160,894,091

The accompanying notes are an integral part of these statements.

American Academy of Pediatrics
STATEMENTS OF ACTIVITIES
Years ended June 30, 2020 and 2019

	2020			2019		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Revenue, gains and other support:						
Membership dues	$ 27,176,753	$ -	$ 27,176,753	$ 26,704,450	$ -	$ 26,704,450
NCE and meetings	7,751,488		7,751,488	7,888,476		7,888,476
Contracts and grants	25,002,830	2,618,080	27,620,910	26,629,135		26,629,135
Advertising	4,282,604		4,282,604	4,424,465		4,424,465
Royalties	5,439,225		5,439,225	3,249,166		3,249,166
Manuals and publications	10,176,316		10,176,316	11,234,118		11,234,118
Subscriptions	19,882,895		19,882,895	20,385,509		20,385,509
Continuing education	7,488,922		7,488,922	8,634,397		8,634,397
Investment income	1,756,773	126,641	1,883,414	1,704,093	119,634	1,823,727
Contributions	1,115,437	2,958,240	4,073,677	1,427,725	5,387,538	6,815,263
Release from restrictions	4,523,944	(4,523,944)	-	5,266,885	(5,266,885)	-
Other income	1,519,099		1,519,099	1,356,197		1,356,197
Total revenue, gains and other support	116,116,286	1,179,017	117,295,303	118,904,616	240,287	119,144,903
Expenses:						
Salaries	46,520,588		46,520,588	45,767,498		45,767,498
Temporary help	131,154		131,154	195,726		195,726
Fringe benefits	14,690,820		14,690,820	14,273,550		14,273,550
Meetings	3,061,806		3,061,806	4,009,391		4,009,391
Travel	4,318,067		4,318,067	6,038,325		6,038,325
Meals	3,333,136		3,333,136	4,051,456		4,051,456
Printing	6,809,694		6,809,694	7,300,625		7,300,625
Postage and freight	1,656,213		1,656,213	2,006,474		2,006,474
Software	1,748,512		1,748,512	1,511,047		1,511,047
Professional services	4,181,322		4,181,322	4,049,657		4,049,657
Building and utilities	6,478,879		6,478,879	6,726,042		6,726,042
Supplies	785,430		785,430	1,124,342		1,124,342
Support of other organizations	180,652		180,652	167,961		167,961
Commissions	781,346		781,346	722,343		722,343
Honoraria	1,826,420		1,826,420	1,761,596		1,761,596
Consultant	5,304,585		5,304,585	6,344,367		6,344,367
Bank charges	1,526,520		1,526,520	1,473,769		1,473,769
Grants made	1,940,503		1,940,503	1,939,258		1,939,258
Subcontracts	7,398,706		7,398,706	6,557,782		6,557,782
Interest	957,967		957,967	1,261,485		1,261,485
Miscellaneous	1,310,210		1,310,210	1,195,698		1,195,698
Total expenses	114,942,530	-	114,942,530	118,478,392	-	118,478,392
Change in net assets due to operations	1,173,756	1,179,017	2,352,773	426,224	240,287	666,511
Impairment/loss on assets held for sale, including commissions	(382,554)		(382,554)	(1,045,000)		(1,045,000)
Net realized and unrealized (loss)/gain	(358,952)	(25,717)	(384,669)	2,452,436	128,222	2,580,658
Changes in net assets	432,250	1,153,300	1,585,550	1,833,660	368,509	2,202,169
Beginning net assets	53,890,225	8,273,089	62,163,314	52,056,565	7,904,580	59,961,145
Ending net assets	$ 54,322,475	$ 9,426,389	$ 63,748,864	$ 53,890,225	$ 8,273,089	$ 62,163,314

The accompanying notes are an integral part of these statements.

American Academy of Pediatrics
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2020

	Education activities	Educational publishing	Child health activities	Membership	Advocacy	Research	**Program sub-total**	Management and general	Fundraising	**Supporting sub-total**	**Total**
Expenses											
Salaries and fringe benefits	5,355,406	13,873,027	20,519,018	1,788,813	2,855,681	2,552,342	**46,944,287**	12,772,392	1,625,883	**14,398,275**	**61,342,562**
Travel and meals	5,784,969	596,025	3,311,377	218,429	198,036	69,964	**10,178,800**	478,167	56,042	**534,209**	**10,713,009**
Printing and postage	311,513	4,789,415	410,504	217,429	11,385	80,725	**5,820,971**	2,568,477	76,459	**2,644,936**	**8,465,907**
Professional services, consulting and subcontracts	1,076,889	3,385,127	10,056,323	83,881	54,649	195,484	**14,852,353**	2,018,634	13,626	**2,032,260**	**16,884,613**
Building, depreciation, interest and software	259,020	117,603	61,984	6,393	844,170	4,853	**1,294,023**	7,890,308	1,027	**7,891,335**	**9,185,358**
Other expenses	1,633,335	855,995	2,432,722	857,631	53,219	152,730	**5,985,632**	2,282,509	82,940	**2,365,449**	**8,351,081**
Facilities allocation	484,523	1,117,371	1,592,005	148,323	59,329	177,988	**3,579,539**	(3,698,198)	118,659	**(3,579,539)**	**-**
Information technologies allocation	804,070	1,975,215	2,621,965	262,197	419,514	349,595	**6,432,556**	(6,642,313)	209,757	**(6,432,556)**	**-**
Total expenses	15,709,725	26,709,778	41,005,898	3,583,096	4,495,983	3,583,681	**95,088,161**	17,669,976	2,184,393	**19,854,369**	**114,942,530**

The accompanying notes are an integral part of these statements.

American Academy of Pediatrics
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019

	Education activities	Educational publishing	Child health activities	Membership	Advocacy	Research	**Program sub-total**	Management and general	Fundraising	**Supporting sub-total**	**Total**
Expenses											
Salaries and fringe benefits	5,602,854	13,673,284	19,408,463	1,735,674	3,208,012	2,510,317	**46,138,604**	12,359,729	1,738,441	**14,098,170**	**60,236,774**
Travel and meals	6,186,255	747,750	5,717,944	288,395	426,811	90,407	**13,457,562**	564,362	77,248	**641,610**	**14,099,172**
Printing and postage	393,360	5,072,397	700,318	221,346	18,066	120,851	**6,526,338**	2,702,635	78,126	**2,780,761**	**9,307,099**
Professional services, consulting and subcontracts	1,143,783	3,081,150	10,328,648	129,056	56,885	255,797	**14,995,319**	1,950,307	6,180	**1,956,487**	**16,951,806**
Building, depreciation, interest and software	337,456	88,680	93,140	11,940	1,253,952	6,258	**1,791,426**	7,704,977	2,171	**7,707,148**	**9,498,574**
Other expenses	1,750,309	779,177	2,712,004	811,005	86,895	192,852	**6,332,242**	1,982,156	70,569	**2,052,725**	**8,384,967**
Facilities allocation	465,696	1,143,992	1,518,573	151,857	60,743	202,476	**3,543,337**	(3,664,823)	121,486	**(3,543,337)**	**-**
Information technologies allocation	792,417	1,946,589	2,583,969	258,397	361,756	344,529	**6,287,657**	(6,494,375)	206,718	**(6,287,657)**	**-**
Total expenses	16,672,130	26,533,019	43,063,059	3,607,670	5,473,120	3,723,487	**99,072,485**	17,104,968	2,300,939	**19,405,907**	**118,478,392**

The accompanying notes are an integral part of these statements.

American Academy of Pediatrics
STATEMENTS OF CASH FLOWS
Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Increase in net assets	$ 1,585,549	$ 2,202,169
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation and amortization	2,601,820	2,278,469
Impairment on assets held for sale	632,553	795,000
Provision for bad debt expense	1,020	11,250
Net realized and unrealized losses (gains) on investments	384,669	(2,580,658)
Contributions restricted for long term purposes	(19,202)	(132,696)
Change in assets and liabilities		
Receivables	(490,594)	13,361
Publication inventories	80,257	(98,078)
Prepaid expenses	192,565	(233,834)
Accounts payable, trade	(632,632)	(540,079)
Accrued expenses	(707,080)	22,327
Accrued salary and related expenses	(429,920)	1,663,664
Refundable advances	1,182,529	
Deferred revenues	(5,140,807)	(3,992,919)
Annuity payment liability	(5,380)	(5,461)
Net cash used in operating activities	(764,653)	(597,485)
Cash flows from investing activities		
Purchases of property and equipment	(207,517)	(445,406)
Proceeds from sale of building	4,367,582	
Proceeds from maturities and sales of investments	31,550,936	18,433,432
Purchases of investments	(37,208,068)	(17,375,721)
Net cash (used in) provided by investing activities	(1,497,067)	612,305
Cash flows from financing activities		
Contributions restricted for long term purposes	19,202	132,696
Cash received from PPP Loan	10,000,000	
Cash received on behalf of chapters	5,823,478	5,108,336
Cash remitted to chapters	(6,064,540)	(4,882,049)
Cash payment on long term loan	(1,532,910)	(2,183,757)
Change in right to use lease liability	31,354	
Principal payments on capital lease obligations	(144,227)	(138,671)
Net cash provided by (used in) financing activities	8,132,357	(1,963,445)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,870,636	(1,948,625)
Cash and cash equivalents at beginning of year	6,108,346	8,056,971
Cash and cash equivalents at end of year	$ 11,978,982	$ 6,108,346
Supplemental schedules of non-cash financing activities		
Capital lease obligations incurred for the acquisition of office equipment	$ -	$ 19,228
Property and equipment additions included in accrued expenses	$ 8,456	$ -
Right to use asset obtained in exchange for new operating lease liabilities	$ 7,454,530	$ -
Interest paid on long term loan	$ 949,081	$ 1,246,312

The accompanying notes are an integral part of these statements.

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The mission of the American Academy of Pediatrics (the Academy) is to obtain optimal physical, mental and social health and well-being for all infants, children, adolescents, and young adults. To accomplish this, the Academy shall support the professional needs of its members.

The financial statements of the Academy have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). A summary of significant accounting policies follows.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ.

Classification of Net Assets

Net assets of the Academy are classified as without donor restrictions or with donor restriction depending on the presence and characteristics of donor-imposed restrictions limiting the Academy's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Accordingly, net assets of the Academy are reported as follows:

***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 the Academy. These net assets may be used at the discretion of the Academy's management and the Executive Committee of the Board of Directors (the Executive Committee). These include any designated amounts the Executive Committee has set aside for a particular purpose. The Executive Committee has resolved that the Academy shall maintain certain operating fund balances as follows:

> *Sections Fund* - Sections are subspecialty medical groups of the Academy. Certain amounts are designated to be used by various sections based on section dues collected and budgeted and actual expenditures.

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Neonatal Resuscitation Program Fund - The contract, effective July 1, 2010, with American Heart Association (AHA) has designated $200,000 for use by the Neonatal Resuscitation Program. The designated amount will remain $200,000 until this program incurs a net loss in any given year, which would result in a reduction of the designated amount. The agreement that governs the program requires that 12.5% of net sales of manuals, publications and educational programming related to the Neonatal Resuscitation Program are paid to AHA in each year.

Friends of Children Fund - Represents amounts designated for Friends of Children Fund that have not yet been expended.

Tomorrow's Children Fund - Represents amounts designated as Tomorrow's Children Fund Endowment.

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 the Academy or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained 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 statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturities of three months or less when purchased. Substantially all of the Academy's cash, which exceeds federally insured limits, is deposited in one financial institution. The Academy has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts.

Receivables

Receivables are amounts due from members, donors and customers, net of allowances for uncollectible amounts. The Academy determines its allowances by considering a number of factors, including the length of time accounts receivable are past due, the Academy's previous collection history, the member, donor, or customer's current ability to pay its obligation to the Academy, and the condition of the general economy as a whole. The Academy sets up an allowance for receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the appropriate allowance for uncollectible amounts.

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Publication Inventories

Publication inventories consist of program manuals and publications primarily held for resale or use in educational programs. Inventories are recorded on the FIFO method at lower of cost or net realizable value.

Prepaid Expenses

Costs incurred for meetings and educational programs to be held in subsequent fiscal years are deferred and expensed in the years to which they apply.

Investments

Investments are measured at fair value in the accompanying statements of financial position. Net realized gains or losses on sales of securities are based on first-in, first-out (FIFO) cost. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Management considers gains and losses on investments, both realized and unrealized, as nonoperating income or expense. These gains and losses are segregated from operating revenues and expenses on the statements of activities.

The Academy's investments are exposed to various risks, such as interest rates, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments could occur in the near future and materially affect the amounts reported in the financial statements.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation computed on the straight-line method over the useful lives of the assets ranging from 3 to 40 years. Amortization on assets under capital lease is included with depreciation expense on owned assets. Amortization on these assets is computed over the life of the lease. Leasehold improvements are amortized over the shorter of the lease or the useful life of the improvements.

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue and Revenue Recognition for Contracts with Customers

The Academy recognizes revenue under contracts with customers from membership dues, nonmember subscription fees, manuals and publications, and other income sources.

For each revenue stream identified above, revenue recognition is subject to the completion of performance obligations. For each contract with a customer, the Academy determined whether the performance obligations in the contracts are distinct or should be bundled. Factors to be considered include the pattern of transfer, whether members or customers (customers) can benefit from the resources, and whether the resources are readily available. The Academy also performs an analysis to determine if and part of the contract constitutes separate performance obligations. The Academy's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. The Academy recognizes the revenue over a period of time if the customer receives and consumes the benefits that the Academy provided, or if the Academy's performance does not create an asset with an alternative use, and has an enforceable right to payment for the performance. The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods.

The transaction price is calculated as the amount of consideration to which the Academy expects to be entitled. Payment is typically expected at the point of sale. In some situations, such as meetings and continued education courses, the Academy bills customers and collects payment prior to the satisfaction of the performance obligation, which results in the Academy recognizing contract liabilities upon receipt of payment.

Performance obligations related to each revenue stream are detailed below.

Membership Dues – The Academy bills membership dues on anniversary dates. Billings are due upon receipt. Membership dues are recognized as revenue over the 12-month membership period, representing the period over which the Academy satisfies the performance obligation.

Nonmember Subscription Fees – The Academy produces and sells the periodical PEDIATRICS, which covers a 12-month period and is billed on their respective subscription anniversary dates. The fees are deferred and recognized as revenue over the subscription period.

Manuals and Publications – The Academy generates revenue from a multitude of manuals and publications it produces. Shipping terms are FOB destination and revenue is recognized when orders have been delivered.

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Income – The Academy generates revenue from other activities including meeting fees, advertising revenue, royalties, and continuing education courses. Revenue is recognized in the period in which services are rendered.

Contributions and Grant Revenue

The Academy recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Consequently, at June 30, 2020, contributions approximating $2,333,259, have not been recognized in the Academy's statement of activities because the condition(s) on which they depend has not yet been met, with advanced payments of $1,182,529 recognized in the statement of financial position as refundable advances.

Contracts and grant revenue consist of cost-reimbursable federal, state, foundation, and corporate contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Academy has incurred expenditures in compliance with specific contract or grant provisions. Amounts that have been awarded but not yet recognized as revenue are treated as conditional contributions and are not reflected in the accompanying financial statements. As of June 30, 2020, the Academy is eligible to receive and recognize $29,128,394 of these conditional contributions upon the occurrence of future qualifying expenses, with advanced payments of $2,316,362 recognized in the statement of financial position as deferred contracts and grants.

The Academy has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made as management believes the standard improves the usefulness and understandability of the Academy's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Academy recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Split-Interest Agreements

The Academy manages a number of charitable gift annuities for which the Academy has received contributions in exchange for a promise to pay fixed amounts for a specific period of time to the donor, individuals or organizations specified by the donor. The assets received by the Academy are included in its general investments and valued at fair value. The annuity payment liability is recorded at the present value of future cash flows.

Income Taxes

The Academy is a not-for-profit Illinois corporation organized for scientific and educational purposes and has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Academy has been classified as an organization that is not a private foundation, as defined in Section 509(a) of the IRC. As such, the Academy is only subject to taxation on its unrelated business income less related expenses under Section 512 of the IRC.

The Academy's unrelated business income results from advertising revenue and other non-member revenue. For the years ended June 30, 2020 and 2019, the Academy's unrelated business expenses exceeded unrelated business income. As a result, no provision for income taxes is necessary.

Management has analyzed the tax positions taken by the Academy and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Depreciation and facilities	Employee headcount
Information technology	Employee headcount

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Adoption of New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). The standard requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases are classified as either finance or operating leases, with the classification affecting the pattern of expense recognition in the statement of activities. Previously, leases were classified as either capital or operating leases, with only capital leases recognized on the statement of financial position. The new guidance was adopted as of July 1, 2019 and applied retrospectively to all periods presented. Accordingly, the Academy has recognized the right-of-use asset and related lease liability based on the present value of the minimum lease payments for its land lease. To establish the initial lease liability, the lease was reported with a total future commitment, discounted for present value of $7,485.883. The right-of-use assets are amortized over the term of the leases and have a combined carrying value net of accumulated amortization of $7,331,359 and $2,717,360 as of June 30, 2020 and 2019, respectively. As a result of the adoption of this standard, the financial information as of June 30, 2019 has been restated as follows: total assets and liabilities increased by $2,717,360. There was no cumulative effect on the change in net assets.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance delayed revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The Academy adopted the ASU effective July 1, 2019 on a modified prospective basis. The adoption of the ASU caused the Academy to change the way certain conditional contributions are recorded. Grant and contribution revenue are recognized when pledged. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met.

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Academy adopted the ASU effective July 1, 2019 retrospectively with the cumulative effect of initially applying the guidance recognized at June 30, 2020. Management determined there was no significant change in the timing of revenue recognition.

Subsequent Events

The Academy has evaluated subsequent events through September 2, 2020, the date the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 20, 2020, Gov. J. B. Pritzker ordered the closure of the physical location of every "non-life sustaining" ["non-essential"] business for what may be an extended period of time. We had to close our physical location(s) and all employees must work remotely as they can. In addition, all "live" meetings have been cancelled or postponed. Future potential impacts may include continued disruptions or restrictions on our employees' ability to work, additional cancellations of "live" meetings and impairment of our ability to obtain contributions and volunteers. The future effects of these issues are unknown.

The Academy applied for and was approved a $10,000,000 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The Academy received the funds on April 20, 2020. The loan accrues interest at 1%, with principal payments of $559,964 beginning on November 20, 2020, due monthly. The loan matures on April 20, 2022. The Academy may be eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty. However, the investment and credit markets have experienced significant volatility. As a result, a portion of the Academy's investments have experienced significant decline as of year-end.

NOTE B - PLEDGES RECEIVABLE

Unconditional promises to give to the Academy are recorded as pledges receivable at fair value based upon discounted estimated future cash flows, net of the allowance for uncollectible accounts. The discount rates for the years ended June 30, 2020 and 2019 ranged from 0.69% to 2.77%.

Pledges receivable as of June 30, 2020 and 2019 include the following:

	2020	2019
Pledges receivable due in:		
Less than one year	$ 550,656	$ 1,650,579
One year to five years	251,422	565,427
	802,078	2,216,006
Less allowance	(15,000)	(15,000)
Less unamortized discount	(11,912)	(83,396)
Pledges receivable, net	$ 775,166	$ 2,117,610

NOTE C – FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

The following tables present information about the Academy's assets measured at fair value on a recurring basis at June 30, 2020 and 2019, and the valuation techniques used by the Academy to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Academy has the ability to access. Fair values of the Academy's money market funds, corporate bond funds, equity securities and other mutual funds were based on quoted market prices.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Fair value of the assets held for sale was based on the expected sales price negotiated between the Academy and the potential purchaser of the assets (see Note E).

Fair values determined by Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. The Academy uses no Level 3 inputs.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Academy's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following tables set forth by level, within the fair value hierarchy, the Academy's financial assets that were accounted for at fair value on a recurring basis as of June 30, 2020 and 2019. As required by US GAAP, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Academy's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

NOTE C - FAIR VALUE MEASUREMENTS – Continued

Description	2020 Fair Value	Fair Value Measurements as of Reporting Date: Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds	$ 99,123	$ 99,123	$ -	$ -
Fixed income securities				
Corporate bonds	27,770,635	27,770,635		
Equity securites				
U.S. large cap growth	10,160,060	10,160,060		
U.S. large cap value	17,125,422	17,125,422		
U.S. small/mid-cap value	3,761,733	3,761,733		
International	17,439,664	17,439,664		
Fixed income mutual funds	4,115,782	4,115,782		
Total recurring assets	$ 80,472,419	$ 80,472,419	$ -	$ -

Description	2019 Fair Value	Fair Value Measurements as of Reporting Date: Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds	$ 12,202	$ 12,202	$ -	$ -
Fixed income securities				
Corporate bonds	25,454,357	25,454,356		
Equity securites				
U.S. large cap growth	8,187,891	8,187,891		
U.S. large cap value	17,503,760	17,503,760		
U.S. small/mid-cap growth	77,234	77,234		
U.S. small/mid-cap value	3,554,235	3,554,235		
International	17,390,608	17,390,608		
Fixed income mutual funds	3,019,669	3,019,669		
Total recurring assets	$ 75,199,956	$ 75,199,956	$ -	$ -
Non-recurring assets				
Asset held for sale	$ 5,000,000	$ -	$ 5,000,000	$ -

NOTE C - FAIR VALUE MEASUREMENTS – Continued

Concentrations

At June 30, 2020 and 2019, approximately 78 percent of the Academy's investments were held in six individual securities, BMO TCH Core Plus Bond Fund, BMO Pyford International Stock Fund, BMO Large-Cap Growth Fund, BMO Large-Cap Value Fund, BMO Low Volatility Equity Fund, and BMO High Yield Bond Fund Class 1.

The Academy does not believe it is exposed to any significant credit risk on investments.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2020 and 2019 consists of the following:

	2020	2019
Land and improvements	$ 11,867,705	$ 11,867,705
Building and improvements	31,419,969	31,421,323
Building equipment	6,497,922	6,366,467
Office equipment	15,256,217	15,283,004
Furniture and fixtures	8,266,996	8,266,996
Construction in progress	384,327	308,264
Assets held for sale		5,000,000
Total property and equipment	73,693,135	78,513,759
Less accumulated depreciation	(19,843,712)	(17,393,070)
Property and equipment, net	$53,849,423	$61,120,689
Right to use (RTU) lease	$ 7,454,530	$ 2,717,390
Less accumulated amortization of RTU lease	(123,171)	
Right to use asset, net	$ 7,331,359	$ 2,717,390

During 2017, the Academy placed its headquarters building, land and related improvements up for sale. As a result, these assets with a carrying value of approximately $12,600,000 were written down to their respective fair values of approximately $5,795,000, based on the expected sales price and associated costs. During 2019, these assets were written down to $5,000,000 to reflect the contracted selling price. The building was sold in October 2019 for $4,600,000, net of closing fees.

NOTE E - AGENCY FUND

Chapter dues are billed and collected by the Academy on behalf of many of its chapters and subsequently remitted to the respective chapters. Cash includes chapter dues collected, but not yet remitted, of $799,686 and $1,040,748 as of June 30, 2020 and 2019, respectively.

NOTE F - ENDOWMENT

Endowment

The Academy's endowment consists of 23 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors (the Board) to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Academy is subject to the State of Illinois' Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of the Academy had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Academy considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Academy has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Academy 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 purposes of the donor-restricted endowment funds
3. General economic conditions
4. The expected total return from income and the appreciation of investments
5. Other resources of the Academy
6. The investment policies of the Academy

NOTE F – ENDOWMENT - Continued

Return Objectives and Risk Parameters

The Academy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs. Endowment assets include those assets of donor-restricted funds that the Academy must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Academy expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Academy has a policy of appropriating for distribution each year no greater than 5 percent of its endowment fund's fair value over the prior 4 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Academy considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Academy expects the current spending policy to allow its endowment to grow an average of 1 percent annually.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Academy 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). The Academy targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SMIFA requires the Academy to retain as a fund of perpetual duration. There were no deficiencies as of June 30, 2020 or 2019.

NOTE F – ENDOWMENT - Continued

The Academy's endowment net asset composition by type of fund as of June 30, 2020 and 2019 are as follows:

	2020		
	Without Donor Restriction	**With Donor Restriction**	**Total**
Board-designated endowment funds	$ 1,352,861	$ -	$ 1,352,861
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity		3,967,307	3,967,307
Accumulated investment gains		265,282	265,282
Total funds	$ 1,352,861	$ 4,232,589	$ 5,585,450

	2019		
	Without Donor Restriction	**With Donor Restriction**	**Total**
Board-designated endowment funds	$ 1,330,970	$ -	$ 1,330,970
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity		3,945,363	3,945,363
Accumulated investment gains		455,843	455,843
Total funds	$ 1,330,970	$ 4,401,206	$ 5,732,176

NOTE F - ENDOWMENT – Continued

Changes in endowment net assets for the year ended June 30, 2020 and 2019, are as follows:

	2020		
	Without Donor Restriction	**With Donor Restriction**	**Total**
Endowment net assets, beginning of year	$ 1,330,970	$ 4,401,206	$ 5,732,176
Investment return:			
Investment income	27,952	126,641	154,593
Net depreciation (realized and unrealized)	(6,061)	(25,717)	(31,778)
Total investment return	21,891	100,924	122,815
Contributions		19,202	19,202
Appropriation of endowment assets for expenditure		(286,843)	(286,843)
Investment fees		(1,900)	(1,900)
Endowment net assets, end of year	$ 1,352,861	$ 4,232,589	$ 5,585,450

	2019		
	Without Donor Restriction	**With Donor Restriction**	**Total**
Endowment net assets, beginning of year	$ 1,263,630	$ 4,368,485	$ 5,632,115
Investment return:			
Investment income	26,573	119,634	146,207
Net appreciation (realized and unrealized)	40,767	128,222	168,989
Total investment return	67,340	247,856	315,196
Contributions		132,696	132,696
Appropriation of endowment assets for expenditure		(344,953)	(344,953)
Investment fees		(2,878)	(2,878)
Endowment net assets, end of year	$ 1,330,970	$ 4,401,206	$ 5,732,176

NOTE G – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Specific purpose:		
Education activities	$ 684,900	$ 192,000
Educational publishing	958,093	734,577
Child health activities	3,028,615	2,688,258
Membership	110,292	247,048
Advocacy	411,900	
Fundraising		10,000
Endowment investments:		
Tomorrow's Children fund	1,745,390	1,922,334
Education activities	159,410	155,035
Child health activities	2,113,921	2,107,407
Membership	213,868	216,430
Net assets with donor restrictions	$ 9,426,389	$ 8,273,089

Net assets released from net assets with donor restrictions for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Satisfaction of purpose restrictions:		
Education activities	$ 403,000	$ 562,703
Educational publishing	1,654,819	1,553,589
Child health activities	2,044,482	2,734,164
Membership	410,643	413,977
Advocacy		218
Supporting activities	11,000	2,234
Net assets released with donor restrictions	$ 4,523,944	$ 5,266,885

NOTE H - RETIREMENT PLAN

The Academy maintains a defined contribution retirement plan covering substantially all full-time employees. The plan contains a 401(k) provision that allows employees to make contributions to the plan on a pretax basis, subject to limitations established by the IRC. The Academy contributes an amount equal to the participant's contributions, up to 3% of the participant's compensation $1 for $1 and an additional $.50 on the $1 for the contributions from 3% to 6%. In addition, the Academy may make discretionary contributions to the plan up to an amount equal to 5% to 10% of the aggregate annual compensation of all employees, less any forfeitures of nonvested employees' accounts. The Academy made 7% discretionary contributions for the years ended June 30, 2020 and 2019 amounting to $3,033,048 and $2,817,633, respectively. Total Academy contributions were $4,769,908 and $4,487,298 for the years ended June 30, 2020 and 2019, respectively.

Effective July 1, 2008, the Academy adopted a 457(f) deferred compensation plan (the 457(f) Plan) for the former Executive Director. The Executive Director shall have a fully vested, nonforfeitable interest in his deferred compensation if the Academy dissolves or if he (1) dies, (2) becomes disabled, or (3) is terminated from employment for reasons other than set forth in the employment agreement.

Effective October 1, 2008, the Academy adopted a 457(b) nonqualified deferred compensation plan. The Executive Director, Associate Executive Directors, Department Directors and employees in equivalent positions are eligible to defer compensation and receive employer discretionary contributions into the plan. All participant deferrals and employer credits are 100% vested immediately. Amounts under the 457(b) plan may only be distributed upon a qualifying distribution, which includes separation from service, death, disability or an unforeseeable emergency. Amounts attributed to the 457(f) and 457(b) deferred compensation plan are included on the Statement of Financial Position investments and accrued salary line items.

NOTE I - OPERATING LEASE

The Academy leases office space in Washington, D.C. under a noncancelable, renewable lease that expires in November 2033. Rent expense is recognized on a straight-line basis. In addition to monthly rental payments, the Academy must also pay its proportionate share of real estate taxes and common-area maintenance expenses (CAM) on the leased space. The total minimum rental commitments as of June 30, 2020 under this lease, excluding real estate taxes and CAM, are due as follows:

Years Ending June 30,	
2021	$ 597,553
2022	592,097
2023	592,097
2024	584,575
Thereafter	5,504,729
Total	$ 7,871,051

The Academy's right-of-use asset relates entirely to the lease described above, which is classified as an operating lease. The right-of-use asset and related lease liability have been calculated using a borrowing rate of 1.68 percent. The statement of financial position as of June 30, 2019 has been restated to incorporate this lease commitment.

NOTE J - CAPITAL LEASES

The Academy has leasehold interests on certain office equipment under agreements that expire at various dates through November 2021. The cost of the leased assets was $424,632 and $424,632, and accumulated amortization was $347,450 and $205,906 at June 30, 2020 and 2019 respectively.

NOTE J - CAPITAL LEASES – Continued

The following is a schedule of the future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2020, including in the right to use asset, net and lease liability on the Statement of Financial Position:

Years ending June 30,		
2021	$	97,553
2022		2,604
Total minimum lease payments		100,157
Less amount representing interest		(1,804)
Total capital lease obligations		98,353
Less current maturities		(95,775)
Total long-term capital lease obligations	$	2,578

The Academy also has various maintenance contracts on certain of these capital leases that are expensed on a monthly basis.

NOTE K – DEBT

On February 20, 2015, the Academy entered into a term loan agreement with Huntington National Bank (formerly First Merit Bank) to borrow up to $15,000,000 to purchase land and begin construction. As of June 30, 2020 and 2019 $11,000,000 and $11,132,910 was borrowed and outstanding, respectively. The outstanding balance on this loan is secured by all assets of the Academy. The term loan matures 15 years from the closing of the second loan entered into with First Merit Bank in June 2016. Five years after the closing of the second loan entered into, this term loan will convert to an $11,000,000 non-amortizing term loan with a 10-year maturity. The effective interest rate was 1.07 percent and 2.77 percent at June 30, 2020 and 2019, respectively. Under the agreement, the Academy is subject to various financial covenants.

NOTE K – DEBT – Continued

On June 23, 2016, the Academy entered into a second loan agreement with Huntington National Bank to borrow up to $35,000,000 for the construction of the new building. As of June 30, 2020 and 2019, $32,083,333 and $33,483,333 was borrowed and outstanding, respectively. The outstanding balance on this loan is secured by all assets of the Academy. The loan included a construction draw period of up to two years. The loan has converted to an amortizing term loan for the remainder of the 15 years from the closing of the loan. The effective interest rate was 1.07 percent and 2.77 percent at June 30, 2020 and 2019, respectively.

The balance of the above debt matures as follows:

Years Ending June 30,	
2021	$ 1,400,000
2022	1,400,000
2023	1,400,000
2024	1,400,000
2025	1,400,000
Thereafter	36,083,333
Total	$ 43,083,333

Interest expense was $979,558 and $1,216,978 for the years ended June 30, 2020 and 2019, respectively.

NOTE L – AVAILABILITY AND LIQUIDITY

The following table reflects the Academy's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	$ 11,978,982	$ 6,108,346
Publications and supplements receivable	893,110	1,090,993
Contracts and grants receivable	5,233,806	5,183,883
Pledges receivable	775,166	2,117,610
Royalties receivable	2,870,841	850,343
Advertising receivable	474,110	534,243
Meetings receivable	817,858	633,305
Other receivable	507,611	672,551
Investments	80,472,419	75,199,956
Total financial assets	104,023,903	92,391,230
Less amounts not available to be used within one year:		
Contractual or donor-imposed		
Receivables with purpose restrictions, net	$ 5,233,806	$ 5,183,883
Receivable for restricted grants and gifts, net	835,500	1,238,500
Pledges receivable for operations due after one year, net	239,509	482,031
Investments held in annuity trusts	741,812	608,045
Donor-imposed endowment net assets	4,232,589	4,401,207
Net assets that are not expected to be spent within one year	3,957,980	2,832,861
	15,241,196	14,746,527
Financial assets available to meet general expenditures over the next twelve months	$ 88,782,707	$ 77,644,703

The Academy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

American Academy of Pediatrics

Federal Awards
Supplemental Information

June 30, 2020

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Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
American Academy of Pediatrics

We have audited the financial statements of American Academy of Pediatrics as of and for the year ended June 30, 2020 and have issued our report thereon dated September 2, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to September 2, 2020.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

September 2, 2020

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
American Academy of Pediatrics

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of American Academy of Pediatrics (the "Academy"), which comprise the statements of financial position as of June 30, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

To Management and the Board of Directors
American Academy of Pediatrics

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

September 2, 2020

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
American Academy of Pediatrics

Report on Compliance for Each Major Federal Program

We have audited American Academy of Pediatrics' (the "Academy") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2020. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

To the Board of Directors
American Academy of Pediatrics

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

September 2, 2020

Federal Grantor/Pass Through Grantor/Program Title	CFDA	Pass-through Number	Federal Expenditures	Provided to Subrecipients
Research and Development Cluster:				
U.S. Department of Health and Human Services -				
Health Resources and Services Administration,				
Maternal and Child Health Bureau:				
Direct Awards:	93.110			
MCH Research Network Programs			$ 243,990	$ 10,250
Bright Futures Pediatric Implementation			947,963	222,340
Medical Home Capacity Building for CSHCN			3,955	(935)
Building Systems of Services for CYSHCN			663,757	84,618
Awareness and Access to Care for Children and Youth with Epilepsy			597,541	63,459
COVID-19 - Supporting Providers and Families to Access Telehealth and Distant Care Services for Pediatric Care			49,649	-
Pass-through from Trustees of Boston University -				
Health Care Delivery System Innovations for Children with Medical Complexity		4500002820	240,861	-
Pass-through from Denver Health and Hospital Authority -				
Networks for Oral Health Integration within the Maternal and Child Health Safety Net		A19-0072-S006	29,958	-
			2,777,674	379,732
Direct Award -				
Building Systems of Services for CYSHCN	93.251		166,665	-
Total Health Resources and Services Administration, Maternal and Child Health Bureau			2,944,339	379,732
Centers for Disease Control and Prevention:				
Pass-through from Regents of the University of Minnesota -				
Healthy Youth Developmental Prevention Research Center	93.135	N006894502	14,303	-
Pass-through from Massachusetts General Hospital -				
Expanding the Use of Proven-Effective Pediatric Weight Management Interventions in Community Health Centers	93.349	234303	209,271	-
Total Centers for Disease Control and Prevention			223,574	-
National Institutes of Health:				
National Center for Advancing Translational Sciences -				
Pass-through from Medical University of South Carolina -				
SPROUT-CTSA Collaborative Telehealth Research Network	93.350	MUSC19-050-8D999	35,692	-
National Cancer Institute -				
Pass-through from The Regents of University of California -				
Improving HPV Vaccination in Pediatric Primary Care - The Stop HPV Trial	93.393	1647 G VA046	183,648	-
National Heart, Lung and Blood Institute -				
Pass-through from Regents of University of Michigan -				
Population Effects of Motivation Interviewing on Pediatric Obesity in Primary Care	93.837	3004072720	255,759	30,730

See notes to schedule of expenditures of federal awards.

Federal Grantor/Pass Through Grantor/Program Title	CFDA	Pass-through Number	Federal Expenditures	Provided to Subrecipients
Research and Development Cluster (continued):				
National Institutes of Health (continued):				
National Institute of Child Health and Human Development:				
Pass-through from Seattle Children's Hospital - Dialogue Around Respiratory Illness Treatment	93.865	11320SUB	$ 35,360	$ -
Pass-through from Columbia University Health Sciences - Flu2Text: A Multi-Site Study assessing an Intervention for 2nd Dose of Influenza Vaccine		1(GG011848-01)	179,277	-
Pass-through from Boston Medical Center - Implementing an Intervention to Address Social Determinants of Health in Pediatric Practices		6257	229,671	7,900
Pass-through from Cincinnati Children's Hospital Medical Center - Predication of Fetal Maturity and Neonatal Morbidity Using Novel Biomarker from Cell-Free Amniotic Fluid Transcriptome		307469	35,538	-
Total National Institute of Child Health and Human Development			479,846	7,900
National Institute on Drug Abuse - Direct Award - Helping Eliminate Marijuana Use Through Pediatric Practice	93.279		103,034	-
National Institute on Alcohol Abuse and Alcoholism - Pass-through from The Children's Hospital Corporation dba Boston Children's Hospital - Computer Facilitated Screening and Brief Intervention in Pediatric Primary Care to Reduce Underage Drinking a Large Multi-site Randomized Trial	93.273	GENFD0001834082	2,850	-
National Institute of Mental Health - Pass-through from Cincinnati Children's Hospital Medical Center - Nationwide Dissemination of a Web-based QI Intervention To Improve the Quality of ADHD Care Among Community-Based Pediatricians	93.242	305844	32,112	-
Total National Institutes of Health			1,092,941	38,630
Total Research and Development Cluster			4,260,854	418,362
U.S. Department of Health and Human Services - Administration for Children and Families, Office of Head Start - Direct Award - National Center on Early Childhood Health and Wellness	93.600		6,981,722	3,689,543
Centers for Disease Control and Prevention:				
Direct Awards:				
PPHF 2013: OSTLTS Partnerships - CBA of the Public Health System *(Umbrella Agreement)*	93.424		1,200	-
Category C: Pediatric Health Care Clinicians *(Umbrella Agreement)*	93.421		4,111,567	100,968
COVID-19 - Category C: Pediatric Health Care Clinicians *(Umbrella Agreement)*			61,626	-
Improving Immunization Rates and Enhancing Disease Prevention through Partnerships with Providers	93.185		343,292	37,901

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	CFDA	Pass-through Number	Federal Expenditures	Provided to Subrecipients
Centers for Disease Control and Prevention (continued):				
Building Capacity for School Sexual Health Services through Training, Education, Assistance, Mentoring, and Support Component 3B	93.079		$ 257,425	$ -
Meeting the Environmental Health Needs of Children	93.161		922,373	849,753
Health Program for Toxic Substances and Disease Registry			1,478,035	1,110,094
			2,400,408	1,959,847
Total Centers for Disease Control and Prevention			7,175,518	2,098,716
Health Resources and Services Administration, Maternal and Child Health Bureau - Pass-through from Baylor College of Medicine - National Emergency Medical Services for Children (EMSC) Resource Centers Demonstration CA	93.127	7000000164	90,125	-
Substance Abuse and Mental Health Services Administration:				
Pass-through from American Academy of Addiction Psychiatry:	93.243			
2019 Provider Clinical Support System-Medicated Assisted Treatment		PCSSMAT19-2	22,442	-
Pass-through from The Regents of the University of California:				
Pediatric Approach to Trauma, Treatment and Resilience		1647 G UA157	211,627	-
Total Substance Abuse and Mental Health Services Administration			234,069	-
U.S. Agency for International Development:				
Pass-through from University Research Co., LLC -	98.001			
Applying Science to Strengthen and Improve Systems (ASSIST)		FY18-S02-8800	68,381	-
Pass-through from Management Sciences for Health, Inc -				
Accessible Continuum of Care and Essential Services Sustained (ACCESS) in Madagascar		A587-ACCESS	140,324	-
Total U.S. Agency for International Development			208,705	-
Total expenditures of federal awards			**$ 18,950,993**	**$ 6,206,621**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of American Academy of Pediatrics (the "Academy") under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of the Academy.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The Academy has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Adjustments and Transfers

During the year ended June 30, 2020, there were no transfers of grant overpayments.

Note 4 - Loans Outstanding

Of the federal expenditures presented in the Schedule, there were no loans or guarantees outstanding at June 30, 2020.

Note 5 - Noncash Assistance

The grantee neither received nor disbursed federal awards in the form of nonmonetary assistance for the year ended June 30, 2020.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ____ Yes __X__ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None