

**AMERICAN ACADEMY  
OF PEDIATRICS  
FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**JUNE 30, 2016 AND 2015**

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## 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, which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities, changes in net assets, 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, 2016 and 2015 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.

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 27, 2016 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 27, 2016

**American Academy of Pediatrics**  
**STATEMENTS OF FINANCIAL POSITION**

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
Cash & cash equivalents	\$ 9,698,019	\$ 8,069,134
Receivables		
Publications and supplements, net of allowance of \$48,842 in 2016 and \$42,709 in 2015	2,907,821	1,786,231
Contracts and grants	5,116,185	3,624,006
Pledges receivable, net of allowance of \$5,000 in 2016 and 2015	690,268	991,404
Royalties	919,707	905,764
Advertising	660,888	363,548
Other	3,023,464	1,548,351
Publication inventories, net of reserve for obsolescence of \$285,000 in 2016 and \$320,000 in 2015	1,551,490	1,501,091
Prepaid expenses	2,799,164	2,809,568
Investments	64,774,955	63,303,874
Property and equipment, net	29,570,350	29,697,971
<b>TOTAL ASSETS</b>	<b><u>\$ 121,712,311</u></b>	<b><u>\$ 114,600,942</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable, trade	\$ 2,043,742	\$ 2,569,993
Chapter dues payable	850,926	744,146
Accrued expenses	4,792,702	3,656,532
Accrued salary & related expenses	11,005,933	8,500,190
Deferred revenues		
Membership dues	14,893,743	15,638,030
Pediatrics subscription fees	4,882,487	4,873,431
Pediatrics in Review subscriptions fees and Pediatrics Review and Education Program enrollment fees	4,542,386	4,352,743
Contracts and grants	8,455,535	6,677,730
Meetings	2,937,521	2,514,711
Other	3,522,163	2,460,757
Annuity payment liability	76,105	143,743
Capital lease obligations	227,955	339,879
Loan Payable	8,516,000	8,400,000
<b>TOTAL LIABILITIES</b>	<b>66,747,198</b>	<b>60,871,885</b>
Net assets		
Unrestricted		
Board-designated		
Sections	3,041,658	2,946,123
Venture Capital	-	5,400,603
Neonatal Resuscitation Program	200,000	200,000
Friends of Children	2,542,273	3,096,222
Tomorrow's Children	1,110,683	883,811
Undesignated	41,119,665	34,545,823
Total Unrestricted	48,014,279	47,072,582
Temporarily Restricted	4,064,911	3,988,193
Permanently Restricted	2,885,923	2,668,282
<b>TOTAL NET ASSETS</b>	<b><u>54,965,113</u></b>	<b><u>53,729,057</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 121,712,311</u></b>	<b><u>\$ 114,600,942</u></b>

**American Academy of Pediatrics**  
**STATEMENTS OF ACTIVITIES**  
**Year ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2016	2016	2016	2016
<b>Revenue, Gains and Other Support:</b>				
Membership Dues	\$ 25,534,075	\$ -	\$ -	\$ 25,534,075
NCE and Meetings	6,909,538	-	-	6,909,538
Contracts and grants	25,024,318	-	-	25,024,318
Advertising	6,505,044	-	-	6,505,044
Royalties	3,073,962	-	-	3,073,962
Manuals and Publications	16,042,149	-	-	16,042,149
Subscriptions	19,440,328	-	-	19,440,328
Continuing Education	7,201,298	-	-	7,201,298
Investment income	1,272,397	76,282	-	1,348,679
Contributions	1,210,887	5,633,500	217,641	7,062,028
Release from Restrictions	5,726,811	(5,726,811)	-	-
Other Income	1,516,627	-	-	1,516,627
<b>Total revenue, gains and other support</b>	<b>119,457,434</b>	<b>(17,029)</b>	<b>217,641</b>	<b>119,658,046</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Meeting and Convention Services	5,662,222	-	-	5,662,222
Medical Journals and eLearning	10,671,698	-	-	10,671,698
Contracts and Grants	20,609,091	-	-	20,609,091
<b>Education:</b>				
Continuing Medical Education	4,577,141	-	-	4,577,141
Life Support	4,110,170	-	-	4,110,170
Public Education	4,923,010	-	-	4,923,010
Administration	719,741	-	-	719,741
Federal Affairs	3,911,271	-	-	3,911,271
State and Chapter Affairs	4,420,713	-	-	4,420,713
Membership Services	2,283,786	-	-	2,283,786
Marketing and Publications	11,657,573	-	-	11,657,573
International and Richmond Center for Excellence	1,524,235	-	-	1,524,235
Child Health & Wellness	5,257,621	-	-	5,257,621
Research	1,929,020	-	-	1,929,020
Pediatric Practice	3,550,106	-	-	3,550,106
Subspecialty Pediatrics	6,696,672	-	-	6,696,672
<b>Supporting activities:</b>				
Membership Services	1,601,041	-	-	1,601,041
<b>Customer Service:</b>				
Meeting and Convention Services	2,031,912	-	-	2,031,912
Medical Journals and eLearning	412,032	-	-	412,032
Customer Service Center	2,685,899	-	-	2,685,899
<b>Management and general:</b>				
Executive Director, Board	3,036,290	-	-	3,036,290
Human Resources	3,148,628	-	-	3,148,628
Fundraising	1,908,423	-	-	1,908,423
Information Technology	7,150,623	-	-	7,150,623
Finance and Administrative Services	3,650,949	-	-	3,650,949
<b>Total expenses</b>	<b>118,129,867</b>	<b>-</b>	<b>-</b>	<b>118,129,867</b>
<b>Change in net assets due to operations</b>	<b>1,327,567</b>	<b>(17,029)</b>	<b>217,641</b>	<b>1,528,179</b>
Net Realized and Unrealized (Loss)/Gain	(385,870)	93,747	-	(292,123)
<b>Change in net assets</b>	<b>941,697</b>	<b>76,718</b>	<b>217,641</b>	<b>1,236,056</b>
Beginning Net Assets	47,072,582	3,988,193	2,668,282	53,729,057
Ending Net Assets	\$ 48,014,279	\$ 4,064,911	\$ 2,885,923	\$ 54,965,113

The accompanying notes are an integral part of these statements.

**American Academy of Pediatrics**  
**STATEMENTS OF ACTIVITIES**  
**Year ended June 30, 2015**

	Unrestricted 2015	Temporarily Restricted 2015	Permanently Restricted 2015	Total 2015
<b>Revenue, Gains and Other Support:</b>				
Membership Dues	\$ 24,947,946	\$ -	\$ -	\$ 24,947,946
NCE and Meetings	6,110,795	-	-	6,110,795
Contracts and grants	21,276,238	-	-	21,276,238
Advertising	5,217,375	-	-	5,217,375
Royalties	3,090,852	-	-	3,090,852
Manuals and Publications	13,407,350	-	-	13,407,350
Subscriptions	18,839,890	-	-	18,839,890
Continuing Education	6,538,413	-	-	6,538,413
Investment income, net	1,012,426	74,602	-	1,087,028
Contributions	1,229,304	5,930,758	129,386	7,289,448
Release from Restrictions	6,249,071	(6,249,071)	-	-
Other Income	1,524,716	-	-	1,524,716
<b>Total revenue, gains and other support</b>	<b>109,444,376</b>	<b>(243,711)</b>	<b>129,386</b>	<b>109,330,051</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Meeting and Convention Services	5,474,846	-	-	5,474,846
Medical Journals and eLearning	11,367,329	-	-	11,367,329
Contracts and Grants	17,469,595	-	-	17,469,595
<b>Education:</b>				
Continuing Medical Education	3,872,601	-	-	3,872,601
Life Support	3,315,976	-	-	3,315,976
Public Education	4,652,684	-	-	4,652,684
Administration	811,192	-	-	811,192
Federal Affairs	3,693,577	-	-	3,693,577
State and Chapter Affairs	4,285,943	-	-	4,285,943
Membership Services	2,395,138	-	-	2,395,138
Marketing and Publications	9,615,183	-	-	9,615,183
International and Richmond Center for Excellence	1,474,652	-	-	1,474,652
Child Health & Wellness	5,070,427	-	-	5,070,427
Research	1,896,290	-	-	1,896,290
Pediatric Practice	3,681,104	-	-	3,681,104
Subspecialty Pediatrics	7,209,791	-	-	7,209,791
<b>Supporting activities:</b>				
Membership Services	1,377,577	-	-	1,377,577
<b>Customer Service:</b>				
Meeting and Convention Services	1,850,541	-	-	1,850,541
Medical Journals and eLearning	527,318	-	-	527,318
Customer Service Center	3,029,279	-	-	3,029,279
<b>Management and general:</b>				
Executive Director, Board	3,914,126	-	-	3,914,126
Human Resources	3,348,336	-	-	3,348,336
Fundraising	1,766,950	-	-	1,766,950
Information Technology	6,655,756	-	-	6,655,756
Finance and Administrative Services	2,727,722	-	-	2,727,722
<b>Total expenses</b>	<b>111,483,933</b>	<b>-</b>	<b>-</b>	<b>111,483,933</b>
<b>Change in net assets due to operations</b>	<b>(2,039,557)</b>	<b>(243,711)</b>	<b>129,386</b>	<b>(2,153,882)</b>
Net Realized and Unrealized Gain/(Loss)	450,736	(16)	-	450,720
<b>Change in net assets</b>	<b>(1,588,821)</b>	<b>(243,727)</b>	<b>129,386</b>	<b>(1,703,162)</b>
Beginning Net Assets	48,661,403	4,231,920	2,538,896	55,432,219
Ending Net Assets	<b>\$ 47,072,582</b>	<b>\$ 3,988,193</b>	<b>\$ 2,668,282</b>	<b>\$ 53,729,057</b>

The accompanying notes are an integral part of these statements.

**American Academy of Pediatrics**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**Two years ended June 30, 2016**

	Board Designated					Undesignated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Sections	Venture Capital	Neonatal Resuscitation Program	Friends of Children	Tomorrow's Children					
Balance at June 30, 2014	<u>\$2,956,043</u>	<u>\$4,413,122</u>	<u>\$ 200,000</u>	<u>\$ 2,985,702</u>	<u>\$ 885,115</u>	<u>\$ 37,221,421</u>	<u>\$ 48,661,403</u>	<u>\$4,231,920</u>	<u>\$ 2,538,896</u>	<u>\$ 55,432,219</u>
(Decrease) increase in net assets	-	-	-	-	-	(1,588,821)	(1,588,821)	(243,727)	129,386	(1,703,162)
Designations	(9,920)	987,481	-	110,520	(1,304)	(1,086,777)	-	-	-	-
Balance at June 30, 2015	<u>\$2,946,123</u>	<u>\$5,400,603</u>	<u>\$ 200,000</u>	<u>\$ 3,096,222</u>	<u>\$ 883,811</u>	<u>\$ 34,545,823</u>	<u>\$ 47,072,582</u>	<u>\$3,988,193</u>	<u>\$ 2,668,282</u>	<u>\$ 53,729,057</u>
Increase in net assets						941,697	941,697	76,718	217,641	1,236,056
Designations	95,535	(5,400,603)	-	(553,949)	226,872	5,632,145	-	-	-	-
Balance at June 30, 2016	<u>\$3,041,658</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 2,542,273</u>	<u>\$1,110,683</u>	<u>\$ 41,119,665</u>	<u>\$ 48,014,279</u>	<u>\$4,064,911</u>	<u>\$ 2,885,923</u>	<u>\$ 54,965,113</u>

The accompanying notes are an integral part of this statement.



**American Academy of Pediatrics**  
**STATEMENTS OF CASH FLOWS**  
**Years ended June 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Increase (Decrease) in net assets	\$ 1,236,056	\$ (1,703,162)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	3,211,299	3,518,102
Provision for bad debt expense	39,612	31,223
Loss on disposal of equipment	5,097	3,077
Net realized and unrealized losses (gains) on investments	292,123	(450,720)
Permanently restricted contributions	(217,641)	(129,386)
Change in assets and liabilities		
Receivables	(4,138,641)	(715,597)
Publication inventories	(50,399)	(117,625)
Prepaid expenses	10,404	(80,324)
Annuity payment liability	(67,638)	(7,670)
Accounts payable, trade	(526,251)	6,286
Accrued expenses	1,136,170	379,715
Accrued Salary and Related Expenses	2,505,743	(580,188)
Deferred revenues	2,716,433	3,235,773
Net cash provided by operating activities	6,152,367	3,389,504
Cash flows from investing activities		
Purchases of property and equipment	(3,024,702)	(9,524,022)
Proceeds from maturities and sales of investments	5,348,753	2,471,985
Purchases of investments	(7,111,957)	(7,085,489)
Net cash used in investing activities	(4,787,906)	(14,137,526)
Cash flows from financing activities		
Permanently restricted contributions	217,641	129,386
Cash received on behalf of chapters	4,959,002	4,775,939
Cash remitted to chapters	(4,852,222)	(4,751,637)
Cash received from Long Term Loan	116,000	8,400,000
Principal payments on capital lease obligations	(175,997)	(129,797)
Net cash provided by financing activities	264,424	8,423,891
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,628,885	(2,324,131)
Cash and cash equivalents at beginning of year	8,069,134	10,393,265
Cash and cash equivalents at end of year	\$ 9,698,019	\$ 8,069,134
Supplemental schedules of non-cash financing activities		
Capital lease obligations incurred for the acquisition of office equipment	\$ 64,073	\$ 318,794

The accompanying notes are an integral part of these statements.

## **NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

### ***Nature of Business***

The American Academy of Pediatrics (the Academy) is a professional organization whose purpose is the attainment of optimal physical, mental and social health for all infants, children and young adults through education, advocacy, research and service.

A summary of significant accounting policies follows.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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.

### ***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.

### ***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.

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

***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.

***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 market.

***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 50 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 Recognition***

An unconditional promise of a contribution (pledge or gift) from a donor is recognized at the time of receipt of the promise. Gifts of cash and other assets are presented as unrestricted support unless received with donor stipulations limiting the use of the donated assets. Contributions to be received after one year are initially recorded at fair value. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Membership dues are billed on anniversary dates. Billings are due upon receipt. These dues are recognized as revenue over the membership period.

Nonmember subscription fees for PEDIATRICS, the Academy's periodical, cover a 12-month period and are billed on their respective subscription anniversary dates. The fees are deferred and recognized as revenue over the subscription period.

Manuals and Publications revenues are recognized when the order is shipped.

Contracts and grants received are deferred until the related costs are incurred. To the extent reimbursable costs exceed cash received, a receivable is recorded from the grantor or contractor.

Meeting fees, advertising revenue, royalties and continuing education revenue are recognized in the year in which they are earned.

***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.

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

***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting. The Academy maintains its books and records in accordance with the principles and practices of fund accounting. This is the procedure by which resources are classified into funds established according to their nature and purpose and on the existence of donor-imposed restrictions. Accordingly, net assets of the Academy are reported as follows:

*Unrestricted* - Those resources over which The Executive Board has discretionary control. These include any designated amounts the Board has set aside for a particular purpose. The Board 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.

*Venture Capital Fund* – This fund can only be used for programs that have the potential to generate income to the Academy. Program income replenishes amounts transferred from this fund. Additionally, after the Fund is replenished, 5% of program revenue is transferred to this fund annually. For the year ended June 30, 2016, the Board of Directors eliminated the Venture Capital fund. The balance was moved into the general unrestricted funds.

*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.

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

*Temporarily Restricted Net Assets* - Those resources subject to donor-imposed restrictions that will be satisfied either by the actions of the Academy or passage of time. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Temporarily restricted net assets consist of donor-imposed restrictions. Temporarily restricted net assets include the following categories: For the year ended June 30, 2016, time and purpose restrictions related to pledges receivable in the amount of \$560,300; purpose restrictions related to the endowment investments held in the amount of \$1,095,855; and amounts restricted for specific programs in the amount of \$2,408,756. For the year ended June 30, 2015, time restrictions related to pledges receivable in the amount of \$824,000; purpose restrictions related to the endowment investments of \$1,001,804; and amounts restricted for specific programs in the amount of \$2,162,389.

*Permanently Restricted Net Assets* - Those resources subject to donor-imposed restrictions that stipulate that the principal of these endowments be permanently invested by the Academy. The donors of these resources have permitted the Academy to use all of the income earned for unrestricted or temporarily restricted purposes.

***Reclassifications***

For comparability, the 2015 financial statements reflect reclassifications where appropriate to conform to the financial statement presentation used in 2016. The Academy broke out the Human Resources and International and Richmond Center departments from the Executive and Child Health and Wellness departments, respectively.

***Subsequent Events***

The Academy has evaluated subsequent events through September 27, 2016, the date the financial statements were available to be issued.

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

*Upcoming Accounting Changes*

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (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 new guidance will be effective for the Academy's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Academy has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU 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 will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease footnote guidance will be effective for the Academy's year ending June 30, 2021 for non-public companies and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements as not yet been determined.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in August, 2016. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Academy, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Academy's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Academy is currently evaluating the impact this standard will have on the financial statements.

American Academy of Pediatrics  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2016 and 2015

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**NOTE B - PLEDGES RECEIVABLE**

Pledges receivable as of June 30, 2016 and 2015 include the following:

	<u>2016</u>	<u>2015</u>
Pledges receivable due in		
Less than one year	\$ 614,623	\$ 887,431
One year to five years	81,804	110,306
Five years to ten years	<u>2,250</u>	<u>4,000</u>
	698,677	1,001,737
Less allowance	5,000	5,000
Less unamortized discount	<u>3,409</u>	<u>5,333</u>
Pledges receivable, net	<u>690,268</u>	<u>991,404</u>

Pledges receivable are discounted at rates ranging from 0.54% to 1.27% as of June 30, 2016 and 2015.

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**NOTE C – ACCOUNTS RECEIVABLE**

Changes in the Academy’s allowance for uncollectible amounts for publications and supplements receivables are as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 42,709	\$ 23,484
Bad debt expense	39,612	31,223
Accounts written-off	<u>(33,479)</u>	<u>(11,998)</u>
Ending Balance	<u>\$ 48,842</u>	<u>\$ 42,709</u>

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#### **NOTE D – 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, 2016 and 2015, 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 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. The Academy uses no level 2 inputs.

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, 2016 and 2015. 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.

American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE D - FAIR VALUE MEASUREMENTS – Continued**

Description	Fair Value Measurements			
	Fair Value As of June 30, 2016	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Money Market Funds	\$ 619,749	\$ 619,749	\$ -	\$ -
<b>Equity Securites</b>				
U.S. Large Cap Growth	8,658,899	8,658,899	-	-
U.S. Large Cap Value	23,783,501	23,783,501	-	-
U.S. Small/Mid-Cap Growth	68,954	68,954	-	-
U.S. Small/Mid-Cap Value	2,738,330	2,738,330	-	-
<b>Other Mututal Funds</b>				
Fixed Income Mutual Funds	28,809,850	28,809,850	-	-
	<u>\$ 64,679,283</u>	<u>\$ 64,679,283</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in transit in the amount of \$95,672 are not included in the fair value table as of June 30, 2016.

Description	Fair Value Measurements			
	Fair Value As of June 30, 2015	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Money Market Funds	\$ 505,845	\$ 505,845	\$ -	\$ -
<b>Equity Securites</b>				
U.S. Large Cap Growth	5,939,788	5,939,788	-	-
U.S. Large Cap Value	26,194,507	26,194,507	-	-
U.S. Small/Mid-Cap Growth	61,212	61,212	-	-
U.S. Small/Mid-Cap Value	2,749,559	2,749,559	-	-
<b>Other Mututal Funds</b>				
Fixed Income Mutual Funds	27,852,963	27,852,963	-	-
	<u>\$63,303,874</u>	<u>\$ 63,303,874</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE D - FAIR VALUE MEASUREMENTS – Continued**

Level 1 Inputs

Fair values of the Academy’s money market funds, equity securities and other mutual funds were based on quoted market prices.

At June 30, 2016, approximately 40 percent of the Academy’s investments were held in six individual securities, BMO TCH Core Plus Bond Fund, BMO Large Emerging Markets Equity, BMO Large-Cap Growth Fund, BMO Large-Cap Value Fund, BMO Money High Yield Bond Fund, and BOM Short-Term Income Fund.

At June 30, 2015, approximately 55 percent of the Academy’s investments were held in three individual securities, BMO TCH Core Plus Bond Fund, BMO Pyrford International Stock Fund and BOM Short-Term Income Fund.

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

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**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2016 and 2015 consists of the following:

	2016	2015
Land and improvements	\$ 13,122,466	\$ 13,122,466
Building and improvements	20,648,655	20,648,655
Building equipment	361,474	396,111
Office equipment	16,806,402	19,231,260
Furniture and fixtures	3,372,964	3,425,124
Construction in progress	<u>3,415,710</u>	<u>332,970</u>
	57,727,671	57,156,586
Less accumulated depreciation	<u>28,157,321</u>	<u>27,458,615</u>
	<u>\$ 29,570,350</u>	<u>\$ 29,697,971</u>

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**NOTE E - PROPERTY AND EQUIPMENT - Continued**

In 2015, the Academy entered into a contract to build a new building in the amount of approximately \$40 million. As of June 30, 2016, approximately \$3,400,000 has been capitalized as construction in progress.

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**NOTE F - 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 \$850,926 and \$744,146 as of June 30, 2016 and 2015, respectively.

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**NOTE G - ENDOWMENT**

Endowment

The Academy's endowment consists of approximately 19 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on existences or absences of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Academy interpreted the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the purchasing power 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, the Academy classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment and (2) the original value of subsequent gifts to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Academy. In accordance with UPMIFA, the Academy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

## **NOTE G - ENDOWMENT - Continued**

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

### 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 of Directors, 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% 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% of its endowment fund's fair value over the prior four 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 return on its endowment. Accordingly, over the long term, the Academy expects the current spending policy to allow its endowment to grow at an average of 1% annually. This is consistent with the Academy's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### 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.

American Academy of Pediatrics  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2016 and 2015

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**NOTE G - ENDOWMENT - Continued**

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 UPMIFA requires the Academy to retain as a fund of perpetual duration. As of June 30, 2016 and 2015, there were no deficiencies.

Endowment net asset composition by type of fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,110,683	\$ -	\$ -	\$ 1,110,683
Donor-restricted endowment funds	<u>-</u>	<u>1,095,855</u>	<u>2,885,923</u>	<u>3,981,778</u>
Total funds	<u>\$ 1,110,683</u>	<u>\$ 1,095,855</u>	<u>\$ 2,885,923</u>	<u>\$ 5,092,461</u>

Changes in endowment net assets for the year ended June 30, 2016:

American Academy of Pediatrics  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2016 and 2015

**NOTE G - ENDOWMENT – Continued**

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 883,811	\$ 1,001,804	\$ 2,668,282	\$ 4,553,897
Investment Return:				
Investment income	19,889	76,282		96,171
Net (loss) gain (realized and change in unrealized)	(2,307)	93,747	-	91,440
Total Investment Return	<u>17,582</u>	<u>170,029</u>	<u>-</u>	<u>187,611</u>
Contributions	216,427	-	217,641	434,068
Appropriation of endowment assets for expenditure	(7,138)	(74,618)		(81,756)
Other charges:				
Investment fees	-	(1,360)		(1,360)
Endowment net assets, end of year	<u>\$ 1,110,682</u>	<u>\$ 1,095,855</u>	<u>\$ 2,885,923</u>	<u>\$ 5,092,460</u>

Endowment net asset composition by type of fund as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 883,811	\$ -	\$ -	\$ 883,811
Donor-restricted endowment funds	-	1,001,804	2,668,282	3,670,086
Total Funds	<u>\$ 883,811</u>	<u>\$ 1,001,804</u>	<u>\$ 2,668,282</u>	<u>\$ 4,553,897</u>

American Academy of Pediatrics  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2016 and 2015

**NOTE G - ENDOWMENT – Continued**

Changes in endowment net assets for the year ended June 30, 2015:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 885,115	\$ 1,028,955	\$ 2,538,896	\$ 4,452,966
Investment return:				
Investment income	16,418	74,602		91,020
Net (loss) gain (realized and change in unrealized)	<u>5,536</u>	<u>(16)</u>		<u>5,520</u>
Total Investment Return	<u>21,954</u>	<u>74,586</u>	-	<u>96,540</u>
Contributions	-	-	129,386	129,386
Appropriation of endowment assets for expenditure	(23,258)	(101,455)		(124,713)
Other charges:				
Investment fees	<u>-</u>	<u>(281)</u>		<u>(281)</u>
<b>Endowment net assets, end of year</b>	<u>\$ 883,811</u>	<u>\$ 1,001,804</u>	<u>\$ 2,668,282</u>	<u>\$ 4,553,897</u>



#### **NOTE H - 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, 2016 and 2015, 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, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

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#### **NOTE I - 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 year ended June 30, 2016 and 7% for the year ended June 30, 2015 amounting to \$2,444,147 and \$2,449,073 in 2016 and 2015, respectively. Total Academy contributions were \$3,955,156 and \$4,025,620 for the years ended June 30, 2016 and 2015, respectively.

**NOTE I - RETIREMENT PLAN - Continued**

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.

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**NOTE J - OPERATING LEASE**

The Academy leases office space in Washington, D.C. under a noncancelable, renewable lease that expires in June 2023. 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 on the leased space. The total minimum rental commitments as of June 30, 2016 under this lease, excluding real estate taxes, are due as follows:

Years Ending June 30:		
2017	\$	620,114
2018		635,620
2019		660,901
2020		677,418
2021		694,384
Thereafter		<u>1,441,241</u>
Total	\$	<u>4,729,678</u>

Rental expense amounted to \$1,017,685 and \$1,030,171 for the years ended June 30, 2016 and 2015, respectively.

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#### NOTE K - CAPITAL LEASES

The Academy has leasehold interests on certain office equipment under agreements that expire at various dates through February 2019. The cost of the leased assets was \$474,880 and \$527,040, and accumulated amortization was \$226,554 and \$117,536 as of June 30, 2016 and 2015, respectively.

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, 2016:

2016	\$	122,792
2017		102,668
2018		<u>10,394</u>
Total minimum lease payments		235,854
Less amount representing interest		<u>7,899</u>
Total capital lease obligations	\$	<u>227,955</u>

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

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#### NOTE L – DEBT

On February 20, 2015, the Academy entered into a term loan agreement with FirstMerit Bank to borrow up to \$15,000,000 to purchase land. On February 27, 2015, \$8,400,000 was borrowed and is outstanding at June 30, 2016. The outstanding balance on this loan is secured by all assets of the Academy. The term loan matures on February 20, 2020 with principal payments beginning upon the sale of the current building. Interest is charged at the Eurocurrency Rate plus one percent. The interest rate at June 30, 2016 was 1.46655 percent. Under the agreement, the Academy is subject to various financial covenants.

On June 23, 2016, the Academy entered into a second loan agreement with FirstMerit Bank to borrow up to \$35,000,000 for the construction of new headquarters. The Academy borrowed \$116,000 against this balance and is outstanding at June 30, 2016. The outstanding balance on this loan is secured by all assets of the Academy. The interest rate at June 30, 2016 is 1.899 percent. Interest expense was \$110,530 and \$25,817 for the years ended June 30, 2016 and 2015, respectively.

American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

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SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Supplementary Information

To the Board of Directors  
American Academy of Pediatrics

We have audited the accompanying financial statements of American Academy of Pediatrics (the "Academy") as of and for the years ended June 30, 2016 and 2015 and have issued our report thereon dated September 27, 2016, 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. The schedules of Departmental Revenue and Expenses by Type and Schedule of Fringe Benefits are presented for purposes of additional information and are 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 27, 2016

American Academy of Pediatrics  
DEPARTMENTAL REVENUE AND EXPENSES BY TYPE  
Year ended June 30, 2016

	Executive Director, Board, development	Human Resources	Federal affairs	State and chapter affairs	Information technology	Finance	Membership	Marketing and publications	Public education	Education administration
<b>Revenues</b>										
Membership dues	\$ -	\$ -	\$ -	\$ 20,139	\$ -	\$ -	\$24,749,725	\$ -	\$5,753	\$ -
Administrative income	-	-	-	-	-	-	-	-	0	-
NCE and FOP	-	-	-	-	-	-	-	-	0	-
Contracts and grants	-	-	-	-	-	-	-	-	0	-
Advertising	-	-	-	-	-	-	-	630	1,730,726	-
Royalties	-	-	-	7,721	-	-	610,604	413,920	55,147	-
Manuals and publications	-	-	-	-	-	-	1,488,089	6,018,991	785,717	55,874
Subscriptions	-	-	-	-	-	-	-	5,540,345	542,886	-
Continuing education	-	-	46,725	-	-	-	-	-	0	-
Contributions	6,907,090	-	-	-	-	100,355	5,552	-	96	-
Release from Restrictions	(5,732,588)	-	-	291,895	-	-	350,834	643,000	1,271,044	-
Net investment income	-	-	-	-	-	1,348,679	-	-	0	-
Other income	(448,757)	-	185,983	321,039	50	(958,659)	108,661	721,759	159,098	1,030,776
	<u>725,745</u>	<u>-</u>	<u>232,708</u>	<u>640,794</u>	<u>50</u>	<u>490,375</u>	<u>27,313,465</u>	<u>13,338,645</u>	<u>4,550,467</u>	<u>1,086,650</u>
<b>Expenses</b>										
Salaries	1,832,750	1,787,612	1,745,090	2,284,139	3,280,179	1,772,095	1,570,648	5,942,694	1,953,364	355,062
Temporary help	51,305	1,064	-	9,208	-	-	13,922	23,240	28,950	-
Fringe benefits	532,713	1,133,036	541,929	737,980	995,880	547,065	524,902	2,017,853	612,083	96,218
Travel and meetings	510,493	4,075	170,500	290,183	15,296	7,168	235,927	357,248	115,195	34,444
Meals	168,805	43,533	147,668	99,055	3,421	1,410	196,495	23,855	33,263	10,746
Printing	73,535	(275,166)	15,297	43,534	3,089	5,743	178,089	3,702,142	618,945	56,547
Postage and freight	14,185	11,448	10,309	5,312	20,190	7,718	153,046	717,287	328,049	508
Software	43,881	53,566	20,176	3,582	643,420	125,090	3,253	16,041	44,178	1,099
Audit and legal	-	3,895	-	13,143	-	270,057	326	56,246	2,448	-
Building and utilities	204,422	49,958	1,102,101	272,364	964,559	175,341	184,819	772,706	229,973	38,909
Supplies	10,610	61,271	90,277	21,140	21,695	4,153	20,949	21,914	19,022	1,363
Support of other organizations	239,603	-	-	-	-	-	-	-	0	-
Telephone	15,847	14,303	42,349	8,646	262,819	4,079	5,820	14,568	5,389	988
Commissions	-	-	-	-	-	-	-	-	354,497	-
Consultant and honoraria	1,245,524	87,629	21,183	193,877	940,075	12,350	287,831	844,207	475,465	123,590
Insurance	-	-	-	-	-	357,627	-	-	0	-
Miscellaneous	1,040	172,404	4,392	438,550	-	361,053	508,800	245,503	102,189	267
	<u>4,944,713</u>	<u>3,148,628</u>	<u>3,911,271</u>	<u>4,420,713</u>	<u>7,150,623</u>	<u>3,650,949</u>	<u>3,884,827</u>	<u>14,755,504</u>	<u>4,923,010</u>	<u>719,741</u>
	<u>\$ (4,218,968)</u>	<u>\$ (3,148,628)</u>	<u>\$ (3,678,563)</u>	<u>\$ (3,779,919)</u>	<u>\$ (7,150,573)</u>	<u>\$ (3,160,574)</u>	<u>\$23,428,638</u>	<u>\$ (1,416,859)</u>	<u>\$ (372,543)</u>	<u>\$ 366,909</u>
Realized/Unrealized Gain/(Loss)	-	-	-	-	-	(292,123)	-	-	-	-
Net Income ( Expense)	<u>\$ (4,218,968)</u>	<u>\$ (3,148,628)</u>	<u>\$ (3,678,563)</u>	<u>\$ (3,779,919)</u>	<u>\$ (7,150,573)</u>	<u>\$ (3,452,697)</u>	<u>\$23,428,638</u>	<u>\$ (1,416,859)</u>	<u>\$ (372,543)</u>	<u>\$ 366,909</u>

American Academy of Pediatrics  
DEPARTMENTAL REVENUE AND EXPENSES BY TYPE - CONTINUED  
Year ended June 30, 2016

	Continuing medical education	Life support	e-Learning & Medical journals	Meeting and convention services	International and Richmond Center	Child Health and Wellness	Research	Pediatric Practice	Subspecialty Pediatrics	Contracts and grants	Total
<b>Revenues</b>											
Membership dues	\$ -	\$ -	\$ -	\$ -	\$ 29,201	\$ 151,312	\$ -	\$ 74,342	\$ 503,603		\$ 25,534,075
Administrative income	-	-	-	-	-	-	-	-	-		-
NCE and FOP	-	-	-	6,909,538	-	-	-	-	-		6,909,538
Contracts and grants	-	-	-	-	-	-	-	-	-	25,024,318	25,024,318
Advertising	-	-	4,081,709	691,979	-	-	-	-	-		6,505,044
Royalties	-	1,132,851	404,261	318,342	-	32,460	-	-	98,656		3,073,962
Manuals and publications	-	4,371,537	494,493	-	-	-	-	1,265,736	1,561,712		16,042,149
Subscriptions	-	-	13,298,514	-	-	-	-	58,583	-		19,440,328
Continuing education	4,032,290	3,047,616	74,667	-	-	-	-	-	-		7,201,298
Contributions	-	332	-	-	796	7,957	1,820	27,766	10,264		7,062,028
Release from Restrictions	55,653	1,026,487	193,500	373,700	85,113	734,867	-	56,900	649,595		-
Net investment income	-	-	-	-	-	-	-	-	-		1,348,679
Other income	12,682	(1,019,006)	89,129	334,339	262,666	387,035	2,940	69,959	256,933		1,516,627
	<u>4,100,625</u>	<u>8,559,817</u>	<u>18,636,273</u>	<u>8,627,898</u>	<u>377,776</u>	<u>1,313,631</u>	<u>4,760</u>	<u>1,553,286</u>	<u>3,080,763</u>	<u>25,024,318</u>	<u>119,658,046</u>
<b>Expenses</b>											
Salaries	1,145,248	1,098,993	2,089,819	1,335,975	715,329	2,662,614	1,081,080	1,747,729	2,943,383	5,001,205	42,345,008
Temporary help	9,375	35,931	13,164	14,103	5,151	19,883	6,499	2,864	42,035	73,004	349,698
Fringe benefits	367,714	340,333	749,281	492,362	210,685	827,934	307,002	576,624	949,533	1,487,205	14,048,332
Travel and meetings	812,610	211,615	343,791	3,548,767	173,061	449,033	41,287	204,101	1,062,485	1,548,616	10,135,895
Meals	1,557,614	59,464	74,622	946,945	56,691	146,464	9,653	109,707	421,130	353,432	4,463,973
Printing	241,207	380,975	2,710,098	339,632	7,526	31,249	13,944	296,210	334,246	373,258	9,150,100
Postage and freight	11,243	59,929	769,329	42,738	306	2,442	22,711	2,740	26,863	112,517	2,318,870
Software	655	(2,247)	22,064	4,749	3,459	24,280	-	4,219	676	51,182	1,063,323
Audit and legal	-	6,217	52,463	1,341	-	-	92,554	-	-	-	498,690
Building and utilities	136,182	140,092	272,364	211,549	165,364	515,547	175,091	223,728	379,365	-	6,214,434
Supplies	18,158	21,551	24,318	136,809	23,762	39,194	36,671	72,471	127,261	257,984	1,030,573
Support of other organizations	-	-	-	-	94,439	-	3,000	-	2,500	-	339,542
Telephone	2,646	8,959	7,797	122,406	16,765	23,479	4,250	11,940	17,692	25,552	616,294
Commissions	-	-	500,303	153,044	-	-	-	-	-	-	1,007,844
Consultant and honoraria	83,630	534,757	2,672,995	123,033	20,976	438,899	120,089	208,198	310,287	3,517,161	12,261,756
Insurance	-	-	-	19,131	-	-	-	-	-	-	376,758
Miscellaneous	190,859	1,213,601	369,290	201,550	30,721	76,603	15,189	89,575	79,216	7,807,975	11,908,777
	<u>4,577,141</u>	<u>4,110,170</u>	<u>10,671,698</u>	<u>7,694,134</u>	<u>1,524,235</u>	<u>5,257,621</u>	<u>1,929,020</u>	<u>3,550,106</u>	<u>6,696,672</u>	<u>20,609,091</u>	<u>118,129,867</u>
	<u>\$ (476,516)</u>	<u>\$4,449,647</u>	<u>\$ 7,964,575</u>	<u>\$ 933,764</u>	<u>\$ (1,146,459)</u>	<u>\$ (3,943,990)</u>	<u>\$ (1,924,260)</u>	<u>\$ (1,996,820)</u>	<u>\$ (3,615,909)</u>	<u>\$ 4,415,225</u>	<u>\$ 1,528,179</u>
Realized/Unrealized Gain/(Loss)	-	-	-	-	-	-	-	-	-	-	(292,123)
<b>Net Income ( Expense)</b>	<u>\$ (476,516)</u>	<u>\$4,449,647</u>	<u>\$ 7,964,575</u>	<u>\$ 933,764</u>	<u>\$ (1,146,459)</u>	<u>\$ (3,943,990)</u>	<u>\$ (1,924,260)</u>	<u>\$ (1,996,820)</u>	<u>\$ (3,615,909)</u>	<u>\$ 4,415,225</u>	<u>\$ 1,236,056</u>

**American Academy of Pediatrics**  
**DEPARTMENTAL REVENUE AND EXPENSES BY TYPE**  
**Year ended June 30, 2015**

	Executive Director, Board, development	Human Resources	Federal affairs	State and chapter affairs	Information technology	Finance	Membership	Marketing and publications	Public education	Education administration
<b>Revenues</b>										
Membership dues	\$ -	\$ -	\$ -	\$ 19,875	\$ -	\$ -	\$24,183,457	\$ -	\$ 5,387	\$ -
Administrative income	-	-	-	-	-	-	-	-	-	-
NCE and FOP	-	-	-	-	-	-	-	-	-	-
Contracts and grants	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	39,671	1,281,248	-
Royalties	-	-	-	10,716	-	-	608,570	443,171	69,297	-
Manuals and publications	-	-	-	-	-	-	1,459,166	5,559,875	873,766	63,244
Subscriptions	-	-	-	-	-	-	-	5,088,065	526,199	-
Continuing education	-	-	51,175	-	-	-	-	-	-	-
Contributions	1,359,258	-	-	100	-	5,912,101	753	-	150	-
Release from Restrictions	76,000	-	-	294,044	-	(6,272,048)	525,627	555,000	1,419,641	-
Net investment income	-	-	-	-	-	1,087,028	-	-	-	-
Other income	-	-	197,069	181,111	50	(959,527)	122,251	570,858	112,434	463,881
	<u>1,435,258</u>	<u>-</u>	<u>248,244</u>	<u>505,846</u>	<u>50</u>	<u>(232,446)</u>	<u>26,899,824</u>	<u>12,256,640</u>	<u>4,288,122</u>	<u>527,125</u>
<b>Expenses</b>										
Salaries	2,346,849	1,702,207	1,563,886	2,099,610	2,861,405	1,472,355	1,432,270	5,028,505	1,696,542	347,472
Temporary help	70,679	-	2,842	17,557	12,665	10,790	27,906	39,996	9,275	-
Fringe benefits	585,023	1,163,344	490,900	740,685	954,152	491,609	523,170	1,811,456	520,097	100,371
Travel and meetings	587,099	23,422	189,406	348,184	11,881	4,485	309,133	407,928	145,854	38,549
Meals	221,732	75,706	140,537	120,990	3,251	1,686	195,475	22,022	60,796	9,555
Printing	102,529	(264,587)	19,156	45,254	3,692	6,077	209,913	3,484,059	707,740	98,693
Postage and freight	22,903	14,971	9,913	8,428	18,892	11,796	169,342	677,881	299,014	591
Software	43,756	21,870	22,086	3,352	513,265	143,492	4,005	10,635	45,518	884
Audit and legal	7,991	6,068	-	54,334	264	266,552	4,045	33,024	-	21,326
Building and utilities	188,551	62,562	1,118,913	248,094	1,027,741	178,836	178,628	707,966	216,881	59,543
Supplies	27,069	73,253	68,553	22,163	15,177	3,918	8,350	21,412	25,678	930
Support of other organizations	234,495	-	-	-	-	-	-	-	-	-
Telephone	21,898	14,657	37,475	9,943	276,575	4,992	8,508	19,791	5,421	1,350
Commissions	-	-	-	-	-	-	-	5,066	278,198	-
Consultant and honoraria	1,204,680	94,618	22,605	177,320	956,796	6,930	325,016	585,809	363,438	131,700
Insurance	-	-	-	-	-	333,376	-	-	-	-
Miscellaneous	15,822	360,245	7,305	390,029	-	(209,172)	376,954	316,230	278,232	228
	<u>5,681,076</u>	<u>3,348,336</u>	<u>3,693,577</u>	<u>4,285,943</u>	<u>6,655,756</u>	<u>2,727,722</u>	<u>3,772,715</u>	<u>13,171,780</u>	<u>4,652,684</u>	<u>811,192</u>
	<u>\$ (4,245,818)</u>	<u>\$ (3,348,336)</u>	<u>\$ (3,445,333)</u>	<u>\$ (3,780,097)</u>	<u>\$ (6,655,706)</u>	<u>\$ (2,960,168)</u>	<u>\$23,127,109</u>	<u>\$ (915,140)</u>	<u>\$ (364,562)</u>	<u>\$ (284,067)</u>
Realized/Unrealized Gain/(Loss)	-	-	-	-	-	450,720	-	-	-	-
Net Income ( Expense)	<u>\$ (4,245,818)</u>	<u>\$ (3,348,336)</u>	<u>\$ (3,445,333)</u>	<u>\$ (3,780,097)</u>	<u>\$ (6,655,706)</u>	<u>\$ (2,509,448)</u>	<u>\$23,127,109</u>	<u>\$ (915,140)</u>	<u>\$ (364,562)</u>	<u>\$ (284,067)</u>



**American Academy of Pediatrics**  
**DEPARTMENTAL REVENUE AND EXPENSES BY TYPE - CONTINUED**  
**Year ended June 30, 2015**

	Continuing medical education	Life support	e-Learning & Medical journals	Meeting and convention services	International and Richmond Center	Child Health and Wellness	Research	Pediatric Practice	Subspecialty Pediatrics	Contracts and grants	Total
<b>Revenues</b>											
Membership dues	\$ -	\$ -	\$ -	\$ -	\$ 28,082	\$ 151,004	\$ -	\$ 75,599	\$ 484,542		\$ 24,947,946
Administrative income	45,402	-	-	-	-	-	-	-	-		45,402
NCE and FOP	-	-	-	6,110,795	-	-	-	-	-		6,110,795
Contracts and grants	-	-	-	-	-	-	-	-	-	21,276,238	21,276,238
Advertising	-	-	3,359,276	537,180	-	-	-	-	-		5,217,375
Royalties	-	1,092,226	390,714	396,616	-	17,289	-	2,000	60,253		3,090,852
Manuals and publications	-	2,201,950	490,797	-	-	-	-	983,052	1,775,500		13,407,350
Subscriptions	-	-	13,215,341	-	-	-	-	10,285	-		18,839,890
Continuing education	3,054,948	3,151,453	58,689	-	-	26,456	-	-	150,290		6,493,011
Contributions	-	210	-	-	(4,000)	4,725	-	4,104	12,047		7,289,448
Release from Restrictions	43,335	270,479	459,104	435,300	323,375	793,086	-	127,103	949,954		-
Net investment income	-	-	-	-	-	-	-	-	-		1,087,028
Other income	8,528	(414,353)	207,226	439,842	203,939	65,817	16,803	89,549	219,238		1,524,716
	<u>3,152,213</u>	<u>6,301,965</u>	<u>18,181,147</u>	<u>7,919,733</u>	<u>551,396</u>	<u>1,058,377</u>	<u>16,803</u>	<u>1,291,692</u>	<u>3,651,824</u>	<u>21,276,238</u>	<u>109,330,051</u>
<b>Expenses</b>											
Salaries	1,110,702	929,404	1,982,819	1,194,521	536,701	2,442,061	1,020,219	1,610,290	2,764,436	3,968,694	38,110,948
Temporary help	2,291	58,940	4,378	791	16,684	4,042	7,086	113	69,182	35,245	390,462
Fringe benefits	374,612	318,375	760,406	458,377	198,626	1,024,479	350,698	632,232	967,175	1,363,766	13,829,553
Travel and meetings	606,288	216,262	348,749	3,182,767	185,997	436,122	45,114	303,448	1,300,312	1,376,247	10,067,247
Meals	1,151,197	73,289	74,110	1,134,900	52,937	143,241	11,066	109,224	627,353	277,217	4,506,284
Printing	255,645	261,791	3,120,325	288,787	6,275	41,136	20,180	244,592	319,864	237,937	9,209,058
Postage and freight	14,331	83,400	893,635	52,778	2,237	6,256	25,924	8,284	67,109	104,681	2,492,366
Software	575	2,756	21,973	7,896	3,715	9,643	-	11,988	1,049	62,470	930,928
Audit and legal	-	11,982	47,848	229	-	2,490	660	-	2,784	-	459,597
Building and utilities	148,856	140,454	307,637	225,518	168,704	535,883	208,399	218,322	308,738	-	6,250,226
Supplies	20,975	18,188	22,236	125,015	35,337	41,508	47,456	101,763	143,527	546,775	1,369,283
Support of other organizations	-	-	-	-	28,500	-	3,000	-	-	-	265,995
Telephone	4,011	8,735	9,212	145,090	9,853	25,888	5,026	13,286	16,973	21,502	660,186
Commissions	-	-	449,625	215,571	-	-	-	-	-	-	948,460
Consultant and honoraria	69,495	467,531	3,085,891	115,988	23,380	348,961	125,826	385,684	501,853	3,217,746	12,211,267
Insurance	-	-	-	28,431	-	-	-	-	-	-	361,807
Miscellaneous	113,623	724,869	238,485	148,728	205,705	8,717	25,636	41,878	119,436	6,257,322	9,420,272
	<u>3,872,601</u>	<u>3,315,976</u>	<u>11,367,329</u>	<u>7,325,387</u>	<u>1,474,651</u>	<u>5,070,427</u>	<u>1,896,290</u>	<u>3,681,104</u>	<u>7,209,791</u>	<u>17,469,602</u>	<u>111,483,939</u>
	<u>\$ (720,388)</u>	<u>\$ 2,985,989</u>	<u>\$ 6,813,818</u>	<u>\$ 594,346</u>	<u>\$ (923,255)</u>	<u>\$ (4,012,050)</u>	<u>\$ (1,879,487)</u>	<u>\$ (2,389,412)</u>	<u>\$ (3,557,967)</u>	<u>\$ 3,806,643</u>	<u>\$ (2,153,888)</u>
Realized/Unrealized Gain/(Loss)	-	-	-	-	-	-	-	-	-	-	450,720
<b>Net Income ( Expense)</b>	<u>\$ (720,388)</u>	<u>\$ 2,985,989</u>	<u>\$ 6,813,818</u>	<u>\$ 594,346</u>	<u>\$ (923,255)</u>	<u>\$ (4,012,050)</u>	<u>\$ (1,879,487)</u>	<u>\$ (2,389,412)</u>	<u>\$ (3,557,967)</u>	<u>\$ 3,806,643</u>	<u>\$ (1,703,168)</u>

**American Academy of Pediatrics**  
**SCHEDULE OF FRINGE BENEFITS**  
**Years ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Traditional fringe benefits</b>		
Retirement	\$ 3,955,156	\$ 4,025,620
Health insurance	6,060,394	5,975,922
FICA	2,981,979	2,738,754
Life and accidental death	104,395	98,550
Disability	86,904	86,908
Working parent benefit	64,002	66,118
Tuition/Professional Development	308,288	357,582
Health insurance waiver	53,700	52,600
Unemployment	49,795	57,561
EAP	23,061	23,213
Dental	245,452	251,629
Business Travel Insurance	18,031	18,021
Health Initiatives	19,253	16,306
Vision	6,784	5,108
Adoption	-	-
Lactation	5,682	5,668
	<u>13,982,876</u>	<u>13,779,560</u>
<b>Total traditional fringe benefits</b>		
<b>Other employee-related expenses</b>		
Employee activities	65,457	49,996
	<u>65,457</u>	<u>49,996</u>
<b>Total fringe benefits</b>	<u><u>\$14,048,333</u></u>	<u><u>\$13,829,556</u></u>