

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

**JUNE 30, 2017 AND 2016**

## CONTENTS

	<b>Page</b>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	1
 FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017 .....	4
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016.....	5
STATEMENTS OF CHANGES IN NET ASSETS .....	6
STATEMENTS OF CASH FLOWS .....	7
NOTES TO FINANCIAL STATEMENTS.....	8
 SUPPLEMENTARY INFORMATION.....	
REPORT LETTER.....	27
DEPARTMENTAL REVENUE AND EXPENSES BY TYPE.....	28
SCHEDULE OF FRINGE BENEFITS.....	29
	33

## 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, 2017 and 2016 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, 2017 and 2016 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 August 28, 2017 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*

August 28, 2017

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

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
Cash & cash equivalents	\$ 8,428,719	\$ 9,698,019
Receivables		
Publications and supplements, net of allowance of \$32,143 in 2017 and \$48,842 in 2016	1,366,819	2,907,821
Contracts and grants	5,549,804	5,116,185
Pledges receivable, net of allowance of \$15,000 in 2017 and \$5,000 in 2016	1,493,166	690,268
Royalties	1,446,376	919,707
Advertising	519,499	660,888
Other	1,579,881	3,023,464
Publication inventories, net of reserve for obsolescence of \$180,000 in 2017 and \$285,000 in 2016	1,453,964	1,551,490
Prepaid expenses	3,332,920	2,799,164
Investments	72,487,095	64,774,955
Property and equipment, net	39,159,304	29,570,350
<b>TOTAL ASSETS</b>	<u>\$ 136,817,547</u>	<u>\$ 121,712,311</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable, trade	\$ 2,968,091	\$ 2,043,742
Chapter dues payable	830,506	850,926
Accrued expenses	9,749,486	4,792,702
Accrued salary & related expenses	10,462,391	11,005,933
Deferred revenues		
Membership dues	15,097,793	14,893,743
Pediatrics subscription fees	5,401,254	4,882,487
Pediatrics in Review subscriptions fees and Pediatrics Review and Education Program enrollment fees	4,317,836	4,542,386
Contracts and grants	6,511,191	8,455,535
Meetings	5,254,459	2,937,521
Other	2,213,104	3,522,163
Annuity payment liability	71,834	76,105
Capital lease obligations	110,818	227,955
Loan Payable	16,116,000	8,516,000
<b>TOTAL LIABILITIES</b>	79,104,763	66,747,198
Net assets		
Unrestricted		
Board-designated		
Sections	3,272,497	3,041,658
Neonatal Resuscitation Program	200,000	200,000
Friends of Children	2,490,843	2,542,273
Tomorrow's Children Fund	1,206,858	1,110,683
Undesignated	42,699,002	41,119,665
Total Unrestricted	49,869,200	48,014,279
Temporarily Restricted	4,864,624	4,064,911
Permanently Restricted	2,978,960	2,885,923
<b>TOTAL NET ASSETS</b>	<u>57,712,784</u>	<u>54,965,113</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 136,817,547</u>	<u>\$ 121,712,311</u>

**American Academy of Pediatrics**  
**STATEMENTS OF ACTIVITIES**  
**Year ended June 30, 2017**

	Unrestricted 2017	Temporarily Restricted 2017	Permanently Restricted 2017	Total 2017
<b>Revenue, Gains and Other Support:</b>				
Membership Dues	\$ 25,633,692	\$ -	\$ -	\$ 25,633,692
NCE and Meetings	7,469,107	-	-	7,469,107
Contracts and grants	27,441,552	-	-	27,441,552
Advertising	5,509,063	-	-	5,509,063
Royalties	3,725,775	-	-	3,725,775
Manuals and Publications	14,553,367	-	-	14,553,367
Subscriptions	21,051,596	-	-	21,051,596
Continuing Education	9,725,218	-	-	9,725,218
Investment income	1,333,857	92,875	-	1,426,732
Contributions	2,070,838	5,061,546	93,037	7,225,421
Release from Restrictions	4,645,065	(4,645,065)	-	-
Other Income	1,794,337	-	-	1,794,337
<b>Total revenue, gains and other support</b>	<b>124,953,467</b>	<b>509,356</b>	<b>93,037</b>	<b>125,555,860</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Meeting and Convention Services	5,579,624	-	-	5,579,624
Medical Journals and eLearning	10,372,091	-	-	10,372,091
<b>Education:</b>				
Continuing Medical Education	4,997,176	-	-	4,997,176
Life Support	4,421,448	-	-	4,421,448
Public Education	5,051,228	-	-	5,051,228
Administration	626,746	-	-	626,746
Federal Affairs	4,969,122	-	-	4,969,122
State and Chapter Affairs	8,156,048	-	-	8,156,048
Membership Services	1,795,262	-	-	1,795,262
Marketing and Publications	10,687,416	-	-	10,687,416
International and Richmond Center for Excellence	4,683,269	-	-	4,683,269
Child Health & Wellness	14,557,223	-	-	14,557,223
Research	3,489,334	-	-	3,489,334
Chief Medical Officer	3,764,700	-	-	3,764,700
Subspecialty Pediatrics	9,996,178	-	-	9,996,178
<b>Supporting activities:</b>				
Membership Services	1,610,556	-	-	1,610,556
<b>Customer Service:</b>				
Meeting and Convention Services	2,119,869	-	-	2,119,869
Medical Journals and eLearning	468,749	-	-	468,749
Customer Service Center	2,591,752	-	-	2,591,752
<b>Management and general:</b>				
Executive Director, Board	3,533,648	-	-	3,533,648
Human Resources	3,280,066	-	-	3,280,066
Fundraising	2,035,949	-	-	2,035,949
Information Technology	8,163,724	-	-	8,163,724
Finance and Administrative Services	3,734,461	-	-	3,734,461
<b>Total expenses</b>	<b>120,685,639</b>	<b>-</b>	<b>-</b>	<b>120,685,639</b>
<b>Change in net assets due to operations</b>	<b>4,267,828</b>	<b>509,356</b>	<b>93,037</b>	<b>4,870,221</b>
Impairment on assets held for sale	(6,900,866)	-	-	(6,900,866)
Net Realized and Unrealized Gain	4,487,959	290,357	-	4,778,316
<b>Changes in net assets</b>	<b>1,854,921</b>	<b>799,713</b>	<b>93,037</b>	<b>2,747,671</b>
Beginning Net Assets	48,014,279	4,064,911	2,885,923	54,965,113
Ending Net Assets	<b>\$ 49,869,200</b>	<b>\$ 4,864,624</b>	<b>\$ 2,978,960</b>	<b>\$ 57,712,784</b>

The accompanying notes are an integral part of these statements.

**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	4,927,124	-	-	4,927,124
Medical Journals and eLearning	10,671,698	-	-	10,671,698
Contracts and Grants	-	-	-	0
Education:				
Continuing Medical Education	4,577,141	-	-	4,577,141
Life Support	4,734,204	-	-	4,734,204
Public Education	5,019,156	-	-	5,019,156
Administration	347,488	-	-	347,488
Federal Affairs	4,857,662	-	-	4,857,662
State and Chapter Affairs	8,014,480	-	-	8,014,480
Membership Services	2,284,873	-	-	2,284,873
Marketing and Publications	11,657,573	-	-	11,657,573
International and Richmond Center for Excellence	4,848,556	-	-	4,848,556
Child Health & Wellness	13,494,240	-	-	13,494,240
Research	3,614,710	-	-	3,614,710
Pediatric Practice	2,780,132	-	-	2,780,132
Subspecialty Pediatrics	10,675,033	-	-	10,675,033
<b>Supporting activities:</b>				
Membership Services	1,601,041	-	-	1,601,041
Customer Service:				
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
Management and general:				
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	<b>\$ 48,014,279</b>	<b>\$ 4,064,911</b>	<b>\$ 2,885,923</b>	<b>\$ 54,965,113</b>

**American Academy of Pediatrics**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**Two years ended June 30, 2017**

	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, 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	<u>95,535</u>	<u>(5,400,603)</u>	-	<u>(553,949)</u>	<u>226,872</u>	<u>5,632,145</u>	-	-	-	-
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>
Increase in net assets	-	-	-	-	-	1,854,921	1,854,921	799,713	93,037	2,747,671
Designations	<u>230,839</u>	-	-	<u>(51,430)</u>	<u>96,175</u>	<u>(275,584)</u>	-	-	-	-
Balance at June 30, 2017	<u>\$3,272,497</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 2,490,843</u>	<u>\$1,206,858</u>	<u>\$ 42,699,002</u>	<u>\$ 49,869,200</u>	<u>\$4,864,624</u>	<u>\$ 2,978,960</u>	<u>\$ 57,712,784</u>

The accompanying notes are an integral part of this statement.



**American Academy of Pediatrics**  
**STATEMENTS OF CASH FLOWS**  
**Years ended June 30, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 2,747,671	\$ 1,236,056
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,695,893	3,211,299
Impairment on assets held for sale	6,900,866	-
Provision for bad debt expense	1,386	39,612
Loss on disposal of equipment	2,174	5,097
Net realized and unrealized (gains) losses on investments	(4,778,316)	292,123
Permanently restricted contributions	(93,037)	(217,641)
Change in assets and liabilities		
Receivables	1,361,402	(4,138,641)
Publication inventories	97,526	(50,399)
Prepaid expenses	(533,756)	10,404
Annuity payment liability	(4,271)	(67,638)
Accounts payable, trade	924,349	(526,251)
Accrued expenses	1,061,610	1,136,170
Accrued salary and related expenses	(543,542)	2,505,743
Deferred revenues	(438,198)	2,716,433
Net cash provided by operating activities	9,401,757	6,152,367
Cash flows from investing activities		
Purchases of property and equipment	(15,292,713)	(3,024,702)
Proceeds from maturities and sales of investments	8,333,676	5,348,753
Purchases of investments	(11,267,500)	(7,111,957)
Net cash used in investing activities	(18,226,537)	(4,787,906)
Cash flows from financing activities		
Permanently restricted contributions	93,037	217,641
Cash received on behalf of chapters	5,298,393	4,959,002
Cash remitted to chapters	(5,318,813)	(4,852,222)
Cash received from long-term loan	7,600,000	116,000
Principal payments on capital lease obligations	(117,137)	(175,997)
Net cash provided by financing activities	7,555,480	264,424
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,269,300)</b>	<b>1,628,885</b>
Cash and cash equivalents at beginning of year	9,698,019	8,069,134
Cash and cash equivalents at end of year	\$ 8,428,719	\$ 9,698,019
Supplemental schedules of non-cash financing activities		
Capital lease obligations incurred for the acquisition of office equipment	\$ -	\$ 64,073
Property and equipment additions included in accrued expenses	\$ 5,431,547	\$ -

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.

*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, 2017, time and purpose restrictions related to pledges receivable in the amount of \$796,831; purpose restrictions related to the endowment investments held in the amount of \$1,241,193; and amounts restricted for specific programs in the amount of \$2,826,600. For the year ended June 30, 2016, time restrictions related to pledges receivable in the amount of \$560,300; purpose restrictions related to the endowment investments of \$1,095,855; and amounts restricted for specific programs in the amount of \$2,408,756. The Academy's temporarily restricted assets relate to various programs and events sponsored by the Academy.

*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 2016 financial statements reflect reclassifications where appropriate to conform to the financial statement presentation used in 2017. The Academy combined all contracts and grants expenses with the department they relate to.

***Subsequent Events***

The Academy has evaluated subsequent events through August 28, 2017, 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 (FASB) 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: retrospectively to each period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Academy will most likely adopt the cumulative catch-up transition method if implementation of the standard does not result in a significant adjustment. Management is currently evaluating the contracts in place to determine the full impact the standard will have and plans to complete this by the end of 2018.

In February 2016, the FASB issued ASU No. 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 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant impact on the Academy's financial statements as a result of the leases for office space classified as operating leases. The leases are expected to significantly increase assets and lease liabilities upon adoption. There is not expected to be a significant impact on expenses or cash flows.

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

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU requires significant changes to the financial reporting model of organizations that 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 gathering the appropriate information to implement these disclosure changes in a timely manner.

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**NOTE B - PLEDGES RECEIVABLE**

Pledges receivable as of June 30, 2017 and 2016 include the following:

	<u>2017</u>	<u>2016</u>
Pledges receivable due in		
Less than one year	\$ 1,022,195	\$ 614,623
One year to five years	529,290	81,804
Five years to ten years	<u>9,564</u>	<u>2,250</u>
	1,561,049	698,677
Less allowance	15,000	5,000
Less unamortized discount	<u>52,883</u>	<u>3,409</u>
Pledges receivable, net	<u>\$ 1,493,166</u>	<u>\$ 690,268</u>

Pledges receivable are discounted at rates ranging from 0.54% to 1.72% as of June 30, 2017 and 2016.

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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>2017</u>	<u>2016</u>
Beginning balance	\$48,842	\$ 42,709
Bad debt expense	1,386	39,612
Accounts written-off	<u>(18,085)</u>	<u>(33,479)</u>
Ending Balance	<u>\$32,143</u>	<u>\$ 48,842</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, 2017 and 2016, 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.

American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2017 and 2016

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

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, 2017 and 2016. 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.

Description	Fair Value Measurements			
	Fair Value As of June 30, 2017	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring assets:				
Assets				
Money Market Funds	\$ 158,447	\$ 158,447	\$ -	\$ -
Fixed Income Securities				
Corporate Bonds	680	\$ 680	-	-
Equity Securities				
U.S. Large Cap Growth	12,064,877	12,064,877	-	-
U.S. Large Cap Value	25,129,579	25,129,579	-	-
U.S. Small/Mid-Cap Growth	63,639	63,639	-	-
U.S. Small/Mid-Cap Value	3,169,456	3,169,456	-	-
Other Mutual Funds				
Fixed Income Mutual Funds	31,902,830	31,902,830	-	-
Total recurring assets	<u>\$ 72,489,508</u>	<u>\$ 72,489,508</u>	<u>\$ -</u>	<u>\$ -</u>
Non-recurring assets:				
Assets held for sale	<u>\$ 5,795,000</u>	<u>\$ -</u>	<u>\$ 5,795,000</u>	<u>\$ -</u>

American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2017 and 2016

**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 Securities</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 Mutual 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 \$2,413 and \$95,672 are not included in the fair value table as of June 30, 2017 and 2016, respectively.

Level 1 Inputs

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

Level 2 Inputs

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).

Concentrations

At June 30, 2017, approximately 78 percent of the Academy's investments were held in six individual securities, BMO TCH Core Plus Bond Fund, BMO Pырford International Stock Fund, BMO Large-Cap Growth Fund, BMO Large-Cap Value Fund, BMO Low Volatility Equity Fund, and BMO Short-Term Income Fund.

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

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 BMO 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, 2017 and 2016 consists of the following:

	2017	2016
Land and improvements	\$ 10,168,371	\$ 13,122,466
Building and improvements	11,578,857	20,648,655
Building equipment	258,806	361,474
Office equipment	16,727,676	16,806,402
Furniture and fixtures	2,759,136	3,372,964
Construction in progress	22,603,598	3,415,710
Assets held for sale	<u>5,795,000</u>	<u>-</u>
	69,891,444	57,727,671
Less accumulated depreciation	<u>30,732,140</u>	<u>28,157,321</u>
	<u>\$ 39,159,304</u>	<u>\$ 29,570,350</u>

In 2015, the Academy entered into a contract to build a new building in the amount of approximately \$47 million. As of June 30, 2017 and 2016, approximately \$21,067,223 and \$3,400,000, respectively has been capitalized as construction in progress.

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.

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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 \$830,506 and \$850,926 as of June 30, 2017 and 2016, 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:

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 G – 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 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.

### 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, 2017 and 2016, there were no deficiencies.

American Academy of Pediatrics  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2017 and 2016

**NOTE G – ENDOWMENT - Continued**

Endowment net asset composition by type of fund as of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,206,857	\$ -	\$ -	\$ 1,206,857
Donor-restricted endowment funds	-	1,241,193	2,978,960	4,220,153
Total funds	<u>\$ 1,206,857</u>	<u>\$ 1,241,193</u>	<u>\$ 2,978,960</u>	<u>\$ 5,427,010</u>

Changes in endowment net assets for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,110,682	\$ 1,095,855	\$ 2,885,923	\$ 5,092,460
Investment Return:				
Investment income	20,205	92,875	-	113,080
Net gain (realized and change in unrealized)	75,970	290,357	-	366,327
Total Investment Return	<u>96,175</u>	<u>383,232</u>	<u>-</u>	<u>479,407</u>
Contributions	-	-	93,037	93,037
Appropriation of endowment assets for expenditure	-	(235,408)	-	(235,408)
Other charges:				
Investment fees	-	(2,486)	-	(2,486)
Endowment net assets, end of year	<u>\$ 1,206,857</u>	<u>\$ 1,241,193</u>	<u>\$ 2,978,960</u>	<u>\$ 5,427,010</u>

American Academy of Pediatrics  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2017 and 2016

**NOTE G - ENDOWMENT – Continued**

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	\$ 1,110,682	\$ -	\$ -	\$ 1,110,682
Donor-restricted endowment funds	<u>-</u>	<u>1,095,855</u>	<u>2,885,923</u>	<u>3,981,778</u>
Total funds	<u>\$ 1,110,682</u>	<u>\$ 1,095,855</u>	<u>\$ 2,885,923</u>	<u>\$ 5,092,460</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 883,811</u>	<u>\$ 1,001,804</u>	<u>\$ 2,668,282</u>	<u>\$ 4,553,897</u>
Investment Return:				
Investment income	19,889	76,282	-	96,171
Net (loss) gain (realized and change in unrealized)	<u>(2,307)</u>	<u>93,747</u>	<u>-</u>	<u>91,440</u>
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	<u>-</u>	<u>(1,360)</u>	<u>-</u>	<u>(1,360)</u>
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>



#### **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, 2017 and 2016, 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, 2017, 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, 2017 and 7% for the year ended June 30, 2016 amounting to \$2,825,528 and \$2,444,147 in 2017 and 2016, respectively. Total Academy contributions were \$4,604,090 and \$3,955,156 for the years ended June 30, 2017 and 2016, 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.

**NOTE I - RETIREMENT PLAN - Continued**

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, 2017 under this lease, excluding real estate taxes, are due as follows:

Years Ending June 30:	
2018	\$ 635,621
2019	660,902
2020	677,418
2021	694,385
2022	711,688
Thereafter	<u>729,553</u>
Total	<u>\$ 4,109,567</u>

Rental expense amounted to \$1,016,519 and \$1,017,685 for the years ended June 30, 2017 and 2016, 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 \$444,145 and \$474,880, and accumulated amortization was \$347,406 and \$226,554 as of June 30, 2017 and 2016, respectively.

**NOTE K - 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, 2017:

	2018	\$	102,668
	2019		10,394
	2020		-
			<hr/>
Total minimum lease payments			113,062
			<hr/>
Less amount representing interest			2,244
			<hr/>
Total capital lease obligations	\$		<u>110,818</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 and begin construction. As of June 30, 2016, \$8,400,000 was borrowed and outstanding. As of June 30, 2017, \$11,800,000 was borrowed and outstanding. 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 FirstMerit 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 2.05 percent and 1.456 percent at June 30, 2017 and 2016, respectively. 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 the new building. As of June 30, 2016 \$116,000 was borrowed and outstanding. As of June 30, 2017, \$4,316,000 was borrowed and outstanding. The outstanding balance on this loan is secured by all assets of the Academy. The loan includes a construction draw period of up to two years; after which the loan will convert to an amortizing term loan for the remainder of the 15 years from the closing of the loan. The effective interest rate was 1.73 percent and 1.899 percent at June 30, 2017 and 2016, respectively.

American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2017 and 2016

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**NOTE L – DEBT - Continued**

Interest expense was \$184,304 and \$110,530 for the years ended June 30, 2017 and 2016, respectively.

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American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2017 and 2016

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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, 2017 and 2016 and have issued our report thereon dated August 28, 2017, 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 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.

August 28, 2017

*Plante & Moran, PLLC*

**American Academy of Pediatrics**  
**DEPARTMENTAL REVENUE AND EXPENSES BY TYPE**  
**Year ended June 30, 2017**

	Executive Director, Board, development	Human Resources	Federal affairs	Community and chapter affairs and Quality	Information technology	Finance	Membership	Marketing and publications	Public education	Education administration
<b>Revenues</b>										
Membership dues	\$ -	\$ -	\$ -	\$ 47,177	\$ -	\$ -	\$ 24,807,887	\$ -	\$ 5,958	\$ -
Grant Income	-	-	-	2,959,233	-	-	55,407	-	-	-
NCE and FOP	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	14,944	1,514,997	-
Royalties	-	-	-	-	-	-	568,262	511,209	47,930	-
Manuals and publications	-	-	-	-	-	-	1,484,731	4,942,877	987,762	57,159
Subscriptions	-	-	-	-	-	-	-	5,560,186	537,890	-
Continuing education	-	-	91,175	110,925	-	-	-	-	-	-
Contributions	7,114,915	-	-	54,742	-	(6,659)	6,288	-	100	-
Release from Restrictions	(4,641,580)	-	-	338,734	-	-	208,147	834,900	612,183	-
Net investment income	-	-	-	-	-	1,426,732	-	-	-	-
Other (loss) income	(908,337)	-	222,875	195,526	3,000	127,383	219,025	647,427	65,900	1,123,388
	<u>1,564,998</u>	<u>-</u>	<u>314,050</u>	<u>3,706,337</u>	<u>3,000</u>	<u>1,547,456</u>	<u>27,349,747</u>	<u>12,511,543</u>	<u>3,772,720</u>	<u>1,180,547</u>
<b>Expenses</b>										
Salaries	2,278,236	1,845,895	2,376,733	2,789,328	3,548,063	1,940,078	1,257,277	6,309,849	2,161,051	472,372
Temporary help	7,716	-	2,600	40,123	-	1,326	-	14,581	19,592	-
Fringe benefits	591,651	1,219,985	742,310	902,203	1,150,754	624,303	441,945	2,202,645	708,559	83,926
Travel and meetings	552,624	2,417	283,106	1,366,909	16,424	56,335	250,097	433,869	121,884	13,446
Meals	196,174	33,428	209,031	554,742	3,317	12,016	207,214	24,278	42,937	3,002
Printing	80,901	(243,600)	25,245	25,548	3,277	6,220	105,578	2,777,047	703,124	35,080
Postage and freight	26,002	20,123	12,929	6,806	22,963	14,029	155,139	700,536	334,062	23
Software	35,961	51,911	29,902	947	733,160	153,928	4,236	12,164	10,344	147
Professional Services	1,167	2,708	-	14,078	402,744	461,945	17,854	357,341	46,750	-
Building and utilities	163,078	47,719	1,171,937	247,301	1,729,828	141,716	148,743	619,894	204,996	16,319
Supplies	10,098	60,009	74,303	16,202	27,563	4,001	7,110	17,190	15,815	938
Support of other organizations	259,510	-	-	-	-	-	-	-	-	-
Commissions	-	-	-	-	-	-	-	1,437	333,539	-
Honoraria	1,010,740	-	-	35,625	-	200	184,205	600	2,700	-
Consultant	349,411	82,002	38,861	506,244	525,631	90,660	67,935	176,471	302,698	-
Grants Made	-	-	-	1,289,658	-	-	-	-	31,000	-
Subcontracts	-	-	-	359,391	-	-	-	-	-	-
Miscellaneous	6,328	157,469	2,165	943	-	227,704	558,485	100,015	12,177	1,493
	<u>5,569,597</u>	<u>3,280,066</u>	<u>4,969,122</u>	<u>8,156,048</u>	<u>8,163,724</u>	<u>3,734,461</u>	<u>3,405,818</u>	<u>13,747,917</u>	<u>5,051,228</u>	<u>626,746</u>
	<u>\$ (4,004,599)</u>	<u>\$ (3,280,066)</u>	<u>\$ (4,655,072)</u>	<u>\$ (4,449,711)</u>	<u>\$ (8,160,724)</u>	<u>\$ (2,187,005)</u>	<u>\$ 23,943,929</u>	<u>\$ (1,236,374)</u>	<u>\$ (1,278,508)</u>	<u>\$ 553,801</u>
Impairment on assets held for sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,900,866)	\$ -	\$ -	\$ -	\$ -
Realized/Unrealized Gains	-	-	-	-	-	4,778,316	-	-	-	-
<b>Net (Expense) Income</b>	<u>\$ (4,004,599)</u>	<u>\$ (3,280,066)</u>	<u>\$ (4,655,072)</u>	<u>\$ (4,449,711)</u>	<u>\$ (8,160,724)</u>	<u>\$ (4,309,555)</u>	<u>\$ 23,943,929</u>	<u>\$ (1,236,374)</u>	<u>\$ (1,278,508)</u>	<u>\$ 553,801</u>

American Academy of Pediatrics  
DEPARTMENTAL REVENUE AND EXPENSES BY TYPE - CONTINUED  
Year ended June 30, 2017

	Continuing medical education	Life support	e-Learning and Medical journals	Meeting and convention services	International and Richmond center	Child health and wellness	Research	Chief medical officer	Subspecialty Pediatrics	Total
<b>Revenues</b>										
Membership dues	\$ -	\$ -	\$ -	\$ -	\$ 30,558	\$ 155,405	\$ -	\$ 8,576	\$ 578,131	\$ 25,633,692
Grant Income	-	166,948	67,258	-	3,827,670	12,785,060	1,293,349	3,277,030	3,009,597	27,441,552
NCE and FOP	-	-	-	7,469,107	-	-	-	-	-	7,469,107
Advertising	-	-	3,405,074	574,048	-	-	-	-	-	5,509,063
Royalties	-	1,783,335	381,408	363,343	-	-	-	13,854	56,434	3,725,775
Manuals and publications	-	4,771,333	363,269	-	-	-	-	-	1,946,236	14,553,367
Subscriptions	-	1,760,002	13,169,526	-	-	-	-	-	23,992	21,051,596
Continuing education	4,889,113	4,270,099	27,707	-	-	26,392	52,275	-	257,532	9,725,218
Contributions	-	1,348	-	-	22,457	6,439	2,350	2,050	21,391	7,225,421
Release from Restrictions	37,856	110,033	241,000	337,000	162,164	643,832	-	45,272	1,070,459	-
Net investment income	-	-	-	-	-	-	-	-	-	1,426,732
Other income (loss)	6,649	(1,094,660)	80,954	328,587	53,441	349,159	59,228	13,000	301,792	1,794,337
	<u>4,933,618</u>	<u>11,768,438</u>	<u>17,736,196</u>	<u>9,072,085</u>	<u>4,096,290</u>	<u>13,966,287</u>	<u>1,407,202</u>	<u>3,359,782</u>	<u>7,265,564</u>	<u>125,555,860</u>
<b>Expenses</b>										
Salaries	1,069,733	1,242,946	2,179,559	1,643,197	1,739,456	4,719,233	1,809,959	1,417,690	3,539,330	44,339,985
Temporary help	22,445	36,637	9,622	17,940	3,934	38,491	8,217	3,848	9,575	236,647
Fringe benefits	347,825	384,445	806,181	621,372	498,566	1,503,362	573,074	386,974	1,173,424	14,963,504
Travel and meetings	979,184	244,953	301,624	3,143,920	562,001	879,351	104,880	186,777	1,694,008	11,193,809
Meals	1,878,815	89,231	61,618	922,680	138,793	168,498	86,011	37,243	800,204	5,469,232
Printing	228,692	320,372	2,756,017	285,668	18,238	116,817	65,011	10,727	352,528	7,672,490
Postage and freight	10,940	45,428	763,105	44,922	1,694	46,539	15,681	1,417	19,310	2,241,648
Software	501	45,666	22,977	10,482	5,612	67,866	5,022	14,052	1,726	1,206,604
Professional Services	-	362,841	313,364	19,787	1,718	50,169	5,000	12,695	23,537	2,093,698
Building and utilities	109,382	130,335	220,324	392,434	155,099	379,538	157,064	89,816	344,936	6,470,459
Supplies	13,953	17,636	32,367	117,102	24,047	230,484	111,126	4,846	136,441	921,231
Support of other organizations	-	-	-	-	1,050	-	3,000	-	-	263,560
Commissions	-	425	420,974	158,712	-	-	-	-	145	915,232
Honoraria	81,355	7,800	113,730	56,410	55,273	68,950	16,250	73,200	143,841	1,850,879
Consultant	-	74,114	2,018,803	75,090	148,143	2,511,719	120,880	172,791	852,106	8,113,559
Grants Made	-	56,652	-	-	394,161	72,652	13,827	-	641,061	2,499,011
Subcontracts	-	51,170	-	-	909,996	3,692,607	385,222	1,352,420	201,528	6,952,334
Miscellaneous	254,351	1,310,797	351,826	189,777	25,488	10,947	9,110	204	62,478	3,281,757
	<u>4,997,176</u>	<u>4,421,448</u>	<u>10,372,091</u>	<u>7,699,493</u>	<u>4,683,269</u>	<u>14,557,223</u>	<u>3,489,334</u>	<u>3,764,700</u>	<u>9,996,178</u>	<u>120,685,639</u>
	<u>\$ (63,558)</u>	<u>\$ 7,346,990</u>	<u>\$ 7,364,105</u>	<u>\$ 1,372,592</u>	<u>\$ (586,979)</u>	<u>\$ (590,936)</u>	<u>\$ (2,082,132)</u>	<u>\$ (404,918)</u>	<u>\$ (2,730,614)</u>	<u>\$ 4,870,221</u>
Impairment on assets held for sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,900,866)
Realized/Unrealized Gains	-	-	-	-	-	-	-	-	-	4,778,316
<b>Net (Expense) Income</b>	<u>\$ (63,558)</u>	<u>\$ 7,346,990</u>	<u>\$ 7,364,105</u>	<u>\$ 1,372,592</u>	<u>\$ (586,979)</u>	<u>\$ (590,936)</u>	<u>\$ (2,082,132)</u>	<u>\$ (404,918)</u>	<u>\$ (2,730,614)</u>	<u>\$ 2,747,671</u>



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	\$ -	\$ -	\$ -	\$ 37,936	\$ -	\$ -	\$24,749,725	\$ -	\$ 5,753	\$ -
Grant Income	-	-	896	2,614,745	-	-	1,089	-	75,564	-
NCE and FOP	-	-	-	-	-	-	-	-	0	-
Advertising	-	-	-	-	-	-	-	630	1,730,726	-
Royalties	-	-	-	-	-	-	610,604	413,919	55,147	-
Manuals and publications	-	-	-	-	-	-	1,488,089	6,018,992	785,717	55,874
Subscriptions	-	-	-	-	-	-	-	5,540,345	542,886	-
Continuing education	-	-	46,725	-	-	-	-	-	0	-
Contributions	6,907,090	-	-	2,414	-	100,355	5,552	-	96	-
Release from Restrictions	(5,732,588)	-	-	322,784	-	-	350,834	643,000	1,271,044	-
Net investment income	-	-	-	-	-	1,348,679	-	-	0	-
Other (loss) income	(448,757)	-	185,983	379,234	50	(958,659)	108,661	721,760	159,098	1,030,776
	<u>725,745</u>	<u>-</u>	<u>233,604</u>	<u>3,357,113</u>	<u>50</u>	<u>490,375</u>	<u>27,314,554</u>	<u>13,338,646</u>	<u>4,626,031</u>	<u>1,086,650</u>
<b>Expenses</b>										
Salaries	1,832,750	1,787,612	2,343,428	2,856,840	3,280,179	1,772,095	1,570,648	5,942,694	1,953,364	195,059
Temporary help	51,305	1,064	-	9,208	-	-	13,922	23,240	28,950	-
Fringe benefits	532,713	1,133,036	752,316	901,321	995,880	547,065	524,902	2,017,853	612,083	55,485
Travel and meetings	510,493	4,076	202,352	1,229,778	15,296	7,168	236,892	357,248	135,189	15,990
Meals	168,805	43,533	157,423	517,123	3,421	1,410	196,619	23,855	37,167	4,119
Printing	73,535	(275,166)	33,583	36,775	3,089	5,743	178,089	3,702,143	618,945	55,400
Postage and freight	14,185	11,448	12,143	20,191	20,190	7,718	153,046	717,286	328,049	396
Software	43,881	53,566	20,176	479	643,420	125,090	3,253	16,041	44,178	-
Professional Services	-	3,895	-	13,143	-	627,684	326	368,325	7,793	-
Building and utilities	220,269	64,260	1,205,403	314,898	1,227,378	179,421	190,639	787,274	235,362	19,943
Supplies	10,610	61,271	105,264	23,630	21,695	4,152	20,948	21,914	19,022	889
Support of other organizations	239,603	-	-	-	-	-	-	-	-	-
Commissions	-	-	-	-	-	-	-	-	354,497	-
Honoraria	1,009,740	-	-	21,325	-	-	199,865	1,901	6,000	-
Consultant	235,784	87,629	21,183	660,856	940,075	12,350	87,966	530,226	536,369	-
Grants Made	-	-	-	1,053,972	-	-	-	-	87,600	-
Subcontract	-	-	-	354,502	-	-	-	-	-	-
Miscellaneous	1,040	172,404	4,391	439	-	361,053	508,799	245,504	14,588	207
	<u>4,944,713</u>	<u>3,148,628</u>	<u>4,857,662</u>	<u>8,014,480</u>	<u>7,150,623</u>	<u>3,650,949</u>	<u>3,885,914</u>	<u>14,755,504</u>	<u>5,019,156</u>	<u>347,488</u>
	<u>\$ (4,218,968)</u>	<u>\$ (3,148,628)</u>	<u>\$ (4,624,058)</u>	<u>\$ (4,657,367)</u>	<u>\$ (7,150,573)</u>	<u>\$ (3,160,574)</u>	<u>\$23,428,640</u>	<u>\$ (1,416,858)</u>	<u>\$ (393,125)</u>	<u>\$ 739,162</u>
Realized/Unrealized Loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (292,123)	\$ -	\$ -	\$ -	\$ -
Net (Expense) Income	<u>\$ (4,218,968)</u>	<u>\$ (3,148,628)</u>	<u>\$ (4,624,058)</u>	<u>\$ (4,657,367)</u>	<u>\$ (7,150,573)</u>	<u>\$ (3,452,697)</u>	<u>\$23,428,640</u>	<u>\$ (1,416,858)</u>	<u>\$ (393,125)</u>	<u>\$ 739,162</u>

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

	Continuing medical education	Life support	e-Learning and Medical journals	Meeting and convention services	International and Richmond Center	Child Health and Wellness	Research	Chief Medical Officer	Subspecialty Pediatrics	Total
<b>Revenues</b>										
Membership dues	\$ -	\$ -	\$ -	\$ -	\$ 29,201	\$ 151,312	\$ -	\$ 7,669	\$ 552,479	\$ 25,534,075
Grant income	-	717,221	-	-	3,776,538	11,278,264	1,438,916	2,025,943	3,095,142	25,024,318
NCE and FOP	-	-	-	6,909,538	-	-	-	-	-	6,909,538
Advertising	-	-	4,081,709	691,979	-	-	-	-	-	6,505,044
Royalties	-	1,132,851	404,261	326,063	-	-	-	32,460	98,657	3,073,962
Manuals and publications	-	4,371,537	494,493	-	-	-	-	-	2,827,447	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	2,795	1,820	5,162	35,616	7,062,028
Release from Restrictions	55,653	1,026,487	193,500	364,200	85,113	734,867	-	7,125	677,981	-
Net investment income	-	-	-	-	-	-	-	-	-	1,348,679
Other income (loss)	12,682	(1,019,006)	89,129	313,764	262,666	387,035	12,417	-	279,794	1,516,627
	<u>4,100,625</u>	<u>9,277,038</u>	<u>18,636,273</u>	<u>8,605,544</u>	<u>4,154,314</u>	<u>12,554,273</u>	<u>1,453,153</u>	<u>2,078,359</u>	<u>7,625,699</u>	<u>119,658,047</u>
<b>Expenses</b>										
Salaries	1,145,248	1,155,719	2,089,819	1,577,093	1,725,223	4,090,860	1,761,125	1,050,263	4,214,990	42,345,009
Temporary help	9,375	35,931	13,164	14,103	5,150	82,638	6,499	21,261	33,888	349,698
Fringe benefits	367,714	354,006	749,281	571,233	488,943	1,288,217	566,116	280,963	1,309,205	14,048,332
Travel and meetings	812,610	292,506	343,791	2,814,621	614,276	912,113	109,483	76,926	1,445,088	10,135,895
Meals	1,557,614	94,671	74,622	569,865	127,582	221,306	31,098	21,228	612,512	4,463,973
Printing	241,207	388,605	2,710,098	340,409	37,107	260,756	72,417	4,659	662,706	9,150,100
Postage and freight	11,243	68,491	769,329	41,934	1,796	75,447	39,076	794	26,108	2,318,870
Software	655	(1,794)	22,064	7,942	9,048	66,642	6,169	399	2,114	1,063,323
Professional Services	-	193,751	70,722	20,472	-	-	92,553	-	24,108	1,422,771
Building and utilities	138,828	149,729	280,161	364,059	185,692	499,411	219,541	104,911	443,552	6,830,731
Supplies	18,158	22,120	24,318	136,041	50,249	240,504	99,424	5,860	144,503	1,030,573
Support of other organizations	-	-	-	-	94,439	-	3,000	-	2,500	339,542
Commissions	-	-	500,303	153,044	-	-	-	-	-	1,007,844
Honoraria	83,630	3,800	72,775	69,450	5,978	10,950	7,000	-	105,327	1,597,741
Consultant	-	533,068	2,581,961	76,353	229,279	2,472,574	137,625	89,675	883,716	10,116,689
Grants Made	-	330,755	-	-	147,021	337,679	12,920	-	450,578	2,420,525
Subcontracts	-	230,000	-	-	1,100,584	2,888,723	444,590	1,122,110	211,156	6,351,665
Miscellaneous	190,859	882,846	369,290	202,417	26,189	46,420	6,074	1,083	102,982	3,136,585
	<u>4,577,141</u>	<u>4,734,204</u>	<u>10,671,698</u>	<u>6,959,036</u>	<u>4,848,556</u>	<u>13,494,240</u>	<u>3,614,710</u>	<u>2,780,132</u>	<u>10,675,033</u>	<u>118,129,867</u>
	<u>\$ (476,516)</u>	<u>\$4,542,834</u>	<u>\$ 7,964,575</u>	<u>\$ 1,646,508</u>	<u>\$ (694,242)</u>	<u>\$ (939,967)</u>	<u>\$ (2,161,557)</u>	<u>\$ (701,773)</u>	<u>\$ (3,049,334)</u>	<u>\$ 1,528,179</u>
Realized/Unrealized Loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (292,123)
Net (Expense) Income	<u>\$ (476,516)</u>	<u>\$4,542,834</u>	<u>\$ 7,964,575</u>	<u>\$ 1,646,508</u>	<u>\$ (694,242)</u>	<u>\$ (939,967)</u>	<u>\$ (2,161,557)</u>	<u>\$ (701,773)</u>	<u>\$ (3,049,334)</u>	<u>\$ 1,236,056</u>

**American Academy of Pediatrics**  
**SCHEDULE OF FRINGE BENEFITS**  
**Years ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Traditional fringe benefits</b>		
Retirement	\$ 4,604,090	\$ 3,955,156
Health insurance	6,199,368	6,060,394
FICA	3,053,653	2,981,979
Life and accidental death	106,267	104,395
Disability	88,403	86,904
Working parent benefit	66,510	64,002
Tuition/Professional Development	373,879	308,288
Health insurance waiver	54,900	53,700
Unemployment	26,953	49,795
EAP	23,305	23,061
Dental	231,910	245,452
Business Travel Insurance	18,031	18,031
Health Initiatives	25,173	19,253
Vision	4,017	6,784
Adoption	18,613	-
Lactation	5,772	5,682
	<u>14,900,844</u>	<u>13,982,876</u>
<b>Total traditional fringe benefits</b>		
<b>Other employee-related expenses</b>		
Employee activities	62,660	65,457
	<u>62,660</u>	<u>65,457</u>
<b>Total fringe benefits</b>	<u><u>\$14,963,504</u></u>	<u><u>\$14,048,333</u></u>