

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

JUNE 30, 2018 AND 2017

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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, 2018 and 2017 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 opinions.

Opinions

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, 2018 and 2017 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 5, 2018 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 5, 2018

American Academy of Pediatrics
STATEMENTS OF FINANCIAL POSITION

| ASSETS | 2018 | 2017 |
|--|-----------------------|-----------------------|
| Cash & cash equivalents | \$ 8,056,971 | \$ 8,428,719 |
| Receivables | | |
| Publications and supplements, net of allowance of \$31,770 in 2018 and \$32,143 in 2017 | 1,292,380 | 1,366,819 |
| Contracts and grants | 4,789,037 | 5,549,804 |
| Pledges receivable, net of allowance of \$15,000 in 2018 and 2017 | 1,458,989 | 1,493,166 |
| Royalties | 1,096,310 | 1,446,376 |
| Advertising | 568,997 | 519,499 |
| Other | 1,901,826 | 1,579,881 |
| Publication inventories, net of reserve for obsolescence of \$143,000 on 2018 and \$180,000 in 2017 | 1,441,036 | 1,453,964 |
| Prepaid expenses | 2,891,864 | 3,332,920 |
| Investments | 73,677,014 | 72,487,095 |
| Property and equipment, net | 57,934,525 | 33,364,304 |
| Assets held for sale | 5,795,000 | 5,795,000 |
| TOTAL ASSETS | \$ 160,903,949 | \$ 136,817,547 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable, trade | \$ 1,907,992 | \$ 2,968,091 |
| Chapter dues payable | 814,467 | 830,506 |
| Accrued expenses | 4,329,746 | 9,749,486 |
| Accrued salary & related expenses | 8,179,943 | 10,462,391 |
| Deferred revenues | | |
| Membership dues | 15,553,966 | 15,097,793 |
| Pediatrics subscription fees | 5,374,774 | 5,401,254 |
| Pediatrics in Review subscriptions fees and Pediatrics Review and Education Program enrollment fees | 4,100,703 | 4,317,836 |
| Contracts and grants | 5,855,844 | 6,511,191 |
| Meetings | 5,418,008 | 5,254,459 |
| Other | 2,164,107 | 2,213,104 |
| Annuity payment liability | 81,231 | 71,834 |
| Capital lease obligations | 362,023 | 110,818 |
| Loan Payable | 46,800,000 | 16,116,000 |
| TOTAL LIABILITIES | 100,942,804 | 79,104,763 |
| Net assets | | |
| Unrestricted | | |
| Board-designated | | |
| Sections | 3,486,833 | 3,272,497 |
| Neonatal Resuscitation Program | 200,000 | 200,000 |
| Friends of Children | 2,356,742 | 2,490,843 |
| Tomorrow's Children Fund | 1,263,630 | 1,206,858 |
| Undesignated | 44,749,360 | 42,699,002 |
| Total Unrestricted | 52,056,565 | 49,869,200 |
| Temporarily Restricted | 4,847,618 | 4,864,624 |
| Permanently Restricted | 3,056,962 | 2,978,960 |
| TOTAL NET ASSETS | 59,961,145 | 57,712,784 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 160,903,949 | \$ 136,817,547 |

American Academy of Pediatrics
STATEMENTS OF ACTIVITIES
Year ended June 30, 2018

| | Unrestricted 2018 | Temporarily Restricted 2018 | Permanently Restricted 2018 | Total 2018 |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Revenue, Gains and Other Support: | | | | |
| Membership Dues | \$ 25,980,816 | \$ - | \$ - | \$ 25,980,816 |
| NCE and Meetings | 7,313,735 | - | - | 7,313,735 |
| Contracts and grants | 26,866,975 | - | - | 26,866,975 |
| Advertising | 4,677,455 | - | - | 4,677,455 |
| Royalties | 3,417,118 | - | - | 3,417,118 |
| Manuals and Publications | 12,146,749 | - | - | 12,146,749 |
| Subscriptions | 19,964,959 | - | - | 19,964,959 |
| Continuing Education | 8,076,850 | - | - | 8,076,850 |
| Investment income | 1,575,475 | 111,019 | - | 1,686,494 |
| Contributions | 2,858,134 | 4,725,594 | 78,002 | 7,661,730 |
| Release from Restrictions | 5,025,029 | (5,025,029) | - | - |
| Other Income | 1,808,758 | - | - | 1,808,758 |
| Total revenue, gains and other support | 119,712,053 | (188,416) | 78,002 | 119,601,639 |
| Expenses: | | | | |
| Program services: | | | | |
| Meeting and Convention Services | 5,540,698 | - | - | 5,540,698 |
| Medical Journals and eLearning | 10,295,072 | - | - | 10,295,072 |
| Education: | | | | |
| Continuing Medical Education | 4,261,992 | - | - | 4,261,992 |
| Life Support | 4,635,637 | - | - | 4,635,637 |
| Public Education | 4,941,398 | - | - | 4,941,398 |
| Administration | 325,593 | - | - | 325,593 |
| Federal Affairs | 5,389,359 | - | - | 5,389,359 |
| Community and Chapter Affairs | 7,878,903 | - | - | 7,878,903 |
| Membership Services | 1,806,439 | - | - | 1,806,439 |
| Marketing and Publications | 10,903,422 | - | - | 10,903,422 |
| International | 2,311,912 | - | - | 2,311,912 |
| Child Health & Wellness | 14,229,116 | - | - | 14,229,116 |
| Research | 3,583,564 | - | - | 3,583,564 |
| Chief Medical Officer | 5,920,586 | - | - | 5,920,586 |
| Subspecialty Pediatrics | 9,456,622 | - | - | 9,456,622 |
| Supporting activities: | | | | |
| Membership Services | 1,617,584 | - | - | 1,617,584 |
| Customer Service: | | | | |
| Meeting and Convention Services | 2,095,088 | - | - | 2,095,088 |
| Medical Journals and eLearning | 464,436 | - | - | 464,436 |
| Customer Service Center | 2,294,325 | - | - | 2,294,325 |
| Management and general: | | | | |
| Executive Director, Board | 3,229,609 | - | - | 3,229,609 |
| Human Resources | 3,321,034 | - | - | 3,321,034 |
| Fundraising | 2,105,455 | - | - | 2,105,455 |
| Information Technology | 8,231,319 | - | - | 8,231,319 |
| Finance and Administrative Services | 4,637,085 | - | - | 4,637,085 |
| Total expenses | 119,476,248 | - | - | 119,476,248 |
| Change in net assets due to operations | 235,805 | (188,416) | 78,002 | 125,391 |
| Net Realized and Unrealized Gain/(Loss) | 1,951,560 | 171,410 | - | 2,122,970 |
| Changes in net assets | 2,187,365 | (17,006) | 78,002 | 2,248,361 |
| Beginning Net Assets | 49,869,200 | 4,864,624 | 2,978,960 | 57,712,784 |
| Ending Net Assets | \$ 52,056,565 | \$ 4,847,618 | \$ 3,056,962 | \$ 59,961,145 |

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

| | Unrestricted 2017 | Temporarily Restricted 2017 | Permanently Restricted 2017 | Total 2017 |
|--|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenue, Gains and Other Support: | | | | |
| 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 |
| Total revenue, gains and other support | 124,953,467 | 509,356 | 93,037 | 125,555,860 |
| Expenses: | | | | |
| Program services: | | | | |
| Meeting and Convention Services | 5,579,624 | - | - | 5,579,624 |
| Medical Journals and eLearning | 10,372,091 | - | - | 10,372,091 |
| Education: | | | | |
| 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 |
| Supporting activities: | | | | |
| Membership Services | 1,610,556 | - | - | 1,610,556 |
| Customer Service: | | | | |
| 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 |
| Management and general: | | | | |
| 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 |
| Total expenses | 120,685,639 | - | - | 120,685,639 |
| Change in net assets due to operations | 4,267,828 | 509,356 | 93,037 | 4,870,221 |
| 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 |
| Changes in net assets | 1,854,921 | 799,713 | 93,037 | 2,747,671 |
| Beginning Net Assets | 48,014,279 | 4,064,911 | 2,885,923 | 54,965,113 |
| Ending Net Assets | \$ 49,869,200 | \$ 4,864,624 | \$ 2,978,960 | \$ 57,712,784 |

American Academy of Pediatrics
STATEMENTS OF CHANGES IN NET ASSETS
Two years ended June 30, 2018

| | 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, 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 |
| Releases/appropriations | <u>230,839</u> | <u>-</u> | <u>-</u> | <u>(51,430)</u> | <u>96,175</u> | <u>(275,584)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</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> |
| Increase in net assets | | | | | | 2,187,365 | 2,187,365 | (17,006) | 78,002 | 2,248,361 |
| Releases/appropriations | <u>214,336</u> | <u>-</u> | <u>-</u> | <u>(134,101)</u> | <u>56,772</u> | <u>(137,007)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance at June 30, 2018 | <u>\$3,486,833</u> | <u>\$ -</u> | <u>\$ 200,000</u> | <u>\$ 2,356,742</u> | <u>\$ 1,263,630</u> | <u>\$44,749,360</u> | <u>\$52,056,565</u> | <u>\$4,847,618</u> | <u>\$3,056,962</u> | <u>\$59,961,145</u> |

American Academy of Pediatrics
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

| | 2018 | 2017 |
|--|---------------|---------------|
| Cash flows from operating activities | | |
| Increase in net assets | \$ 2,248,361 | \$ 2,747,671 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation | 2,743,435 | 2,695,893 |
| Impairment on assets held for sale | - | 6,900,866 |
| Provision for bad debt expense | 24,572 | 1,386 |
| Loss on disposal of equipment | 4,514 | 2,174 |
| Net realized and unrealized gains on investments | (2,122,970) | (4,778,316) |
| Permanently restricted contributions | (78,002) | (93,037) |
| Change in assets and liabilities | | |
| Receivables | 823,434 | 1,361,402 |
| Publication inventories | 12,928 | 97,526 |
| Prepaid expenses | 441,056 | (533,756) |
| Annuity payment liability | 9,397 | (4,271) |
| Accounts payable, trade | (1,060,099) | 924,349 |
| Accrued expenses | (5,419,740) | 1,061,610 |
| Accrued Salary and Related Expenses | (2,282,448) | (543,542) |
| Deferred revenues | (328,235) | (438,198) |
| | (4,983,797) | 9,401,757 |
| Net cash (used in) provided by operating activities | | |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (26,941,029) | (15,292,713) |
| Proceeds from maturities and sales of investments | 16,508,267 | 8,333,676 |
| Purchases of investments | (15,575,215) | (11,267,500) |
| | (26,007,977) | (18,226,537) |
| Net cash used in investing activities | | |
| Cash flows from financing activities | | |
| Permanently restricted contributions | 78,002 | 93,037 |
| Cash received on behalf of chapters | 5,498,139 | 5,298,393 |
| Cash remitted to chapters | (5,514,179) | (5,318,813) |
| Cash received from Long Term Loan | 30,684,000 | 7,600,000 |
| Principal payments on capital lease obligations | (125,936) | (117,137) |
| | 30,620,026 | 7,555,481 |
| Net cash provided by financing activities | | |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (371,748) | (1,269,300) |
| Cash and cash equivalents at beginning of year | 8,428,719 | 9,698,019 |
| Cash and cash equivalents at end of year | \$ 8,056,971 | \$ 8,428,719 |
| Supplemental schedules of non-cash financing activities | | |
| Capital lease obligations incurred for the acquisition of office equipment | \$ 377,141 | \$ - |
| Property and equipment additions included in accrued expenses | \$ 542,773 | \$ 5,431,547 |
| Long Term loan entered into for purchase of land/HOF | \$ 46,800,000 | \$ 16,116,000 |

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 net realizable value.

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, 2018, time and purpose restrictions related to pledges receivable in the amount of \$379,750; purpose restrictions related to the endowment investments held in the amount of \$1,311,523; and amounts restricted for specific programs in the amount of \$3,156,345. For the year ended June 30, 2017, time restrictions related to pledges receivable in the amount of \$796,831; purpose restrictions related to the endowment investments of \$1,241,193; and amounts restricted for specific programs in the amount of \$2,826,600. 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.

Subsequent Events

The Academy has evaluated subsequent events through September 5, 2018, the date the financial statements were available to be issued.

Upcoming Accounting Changes

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 expects there to be a change in net asset descriptions, enhanced disclosures related to liquidity and availability of resources, and changes to functional allocation of expenses.

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

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. During management's evaluation of the various revenue contracts, management determined contracts related to membership and royalty revenue may have a significant impact on the timing of recognizing revenue. Additionally, there will be new disclosures related to revenue from contracts with customers.

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.

American Academy of Pediatrics
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

NOTE B - PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2018 and 2017 include the following:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|--------------------|--------------------|
| Pledges receivable due in | | |
| Less than one year | \$793,688 | \$1,022,195 |
| One year to five years | 789,284 | 529,290 |
| Five years to ten years | | |
| | <u>2,150</u> | <u>9,564</u> |
| | 1,585,122 | 1,561,050 |
| Less allowance | 15,000 | 15,000 |
| Less unamortized discount | <u>111,133</u> | <u>52,883</u> |
| Pledges receivable, net | <u>\$1,458,989</u> | <u>\$1,493,166</u> |

Pledges receivable are discounted at rates ranging from 0.54% to 2.77% as of June 30, 2018 and 2017.

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>2018</u> | <u>2017</u> |
|----------------------|-----------------|-----------------|
| Beginning balance | \$32,143 | \$48,842 |
| Bad debt expense | 24,572 | 1,386 |
| Accounts written-off | <u>(24,945)</u> | <u>(18,085)</u> |
| Ending Balance | <u>\$31,770</u> | <u>\$32,143</u> |

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, 2018 and 2017, 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, 2018 and 2017. 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
Years Ended June 30, 2018 and 2017

NOTE D - FAIR VALUE MEASUREMENTS – Continued

| Description | Fair Value Measurements | | | |
|------------------------------|-------------------------|--|---|--|
| | 2018 Fair Value | Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | | |
| Money Market Funds | \$ 37,229 | \$ 37,229 | \$ - | \$ - |
| Fixed Income Securities | | | | |
| Corporate Bond Funds | 24,178,556 | 24,178,556 | - | - |
| Equity Securities | | | | |
| U.S. Large Cap Growth | 7,069,926 | 7,069,926 | - | - |
| U.S. Large Cap Value | 15,984,038 | 15,984,038 | - | - |
| U.S. Small/Mid-Cap Growth | 70,278 | 70,278 | - | - |
| U.S. Small/Mid-Cap Value | 3,221,362 | 3,221,362 | - | - |
| Global | 17,251,958 | 17,251,958 | - | - |
| Real Estate | - | - | - | - |
| Preferred Securities | - | - | - | - |
| Other Mutual Funds | - | - | - | - |
| Equity Mutual Funds | - | - | - | - |
| Fixed Income Mutual Funds | 5,866,727 | 5,866,727 | - | - |
| Total recurring assets | <u>\$ 73,680,074</u> | <u>\$ 73,680,074</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, 2018 and 2017

NOTE D - FAIR VALUE MEASUREMENTS – Continued

| Description | Fair Value Measurements | | | |
|------------------------------|-------------------------|--|--|--|
| | 2017 Fair Value | Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | | |
| Money Market Funds | \$ 158,447 | \$ 158,447 | \$ - | \$ - |
| Fixed Income Securities | | - | | |
| Corporate Bond Funds | 680 | 680 | - | - |
| Equity Securites | | | | |
| 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 | - | - |
| Global | - | - | - | - |
| Real Estate | - | - | - | - |
| Preferred Securities | - | - | - | - |
| Other Mututal 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> |

Investments in transit in the amount of \$3,060 and \$2,413 are not included in the fair value table as of June 30, 2018 and 2017, respectively.

Level 1 Inputs

Fair values of the Academy’s money market funds, corporate bond 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).

NOTE D - FAIR VALUE MEASUREMENTS – Continued

Concentrations

At June 30, 2018 and 2017, approximately 78 percent of the Academy’s investments were held in six individual securities, BMO TCH Core Plus Bond Fund, BMO Pyrford International Stock Fund, BMO Large-Cap Growth Fund, BMO Large-Cap Value Fund, BMO Low Volatility Equity Fund, and BMO Short-Term Income Fund.

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

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 and 2017 consists of the following:

| | 2018 | 2017 |
|-------------------------------|---------------|---------------|
| Land and improvements | \$ 14,432,334 | \$ 10,168,371 |
| Building and improvements | 40,297,985 | 11,578,857 |
| Building equipment | 6,251,321 | 258,806 |
| Office equipment | 15,267,234 | 16,727,676 |
| Furniture and fixtures | 8,122,823 | 2,759,136 |
| Construction in progress | 261,216 | 22,603,598 |
| Assets held for sale | 5,795,000 | 5,795,000 |
| | <hr/> | <hr/> |
| | 90,427,913 | 69,891,444 |
| Less accumulated depreciation | 26,698,388 | 30,732,140 |
| | <hr/> | <hr/> |
| | \$ 63,729,525 | \$ 39,159,304 |

In 2015, the Academy entered into a contract to build a new building in the amount of approximately \$49 million. As of June 30, 2018 and 2017, approximately \$49,697,551 and \$21,067,223, respectively has been capitalized.

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.

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 \$814,467 and \$830,506 as of June 30, 2018 and 2017, respectively.

NOTE G - ENDOWMENT

Endowment

The Academy's endowment consists of approximately 21 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, 2018 and 2017, there were no deficiencies.

American Academy of Pediatrics
 NOTES TO FINANCIAL STATEMENTS
 Years Ended June 30, 2018 and 2017

NOTE G – ENDOWMENT - Continued

Endowment net asset composition by type of fund as of June 30, 2018:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Board-designated endowment funds | \$ 1,263,630 | \$ - | \$ - | \$ 1,263,630 |
| Donor-restricted endowment funds | - | 1,311,523 | 3,056,962 | \$ 4,368,485 |
| Total Funds | <u>\$ 1,263,630</u> | <u>\$ 1,311,523</u> | <u>\$ 3,056,962</u> | <u>\$ 5,632,115</u> |

Changes in endowment net assets for the year ended June 30, 2018:

| | <u>Board Designated</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------------|-----------------------------------|----------------------------|
| Endowment Net Assets, beginning of year | <u>\$ 1,206,858</u> | <u>\$ 1,241,193</u> | <u>\$ 2,978,960</u> | <u>\$ 5,427,011</u> |
| Investment Return: | | | | |
| Investment Income | 22,102 | 111,019 | - | 133,121 |
| Net Appropriation (Realized and Unrealized) | <u>34,760</u> | <u>171,410</u> | <u>-</u> | <u>206,170</u> |
| Total Investment Return | <u>56,862</u> | <u>282,429</u> | <u>-</u> | <u>339,291</u> |
| Contributions | - | - | 78,002 | 78,002 |
| Appropriation of Endowment: Assets for Expenditure | - | (207,639) | - | (207,639) |
| Other Charges: | | | | |
| Investment Fees | <u>(90)</u> | <u>(4,460)</u> | <u>-</u> | <u>(4,550)</u> |
| Endowment net assets, end of year | <u><u>\$ 1,263,630</u></u> | <u><u>\$ 1,311,523</u></u> | <u><u>\$ 3,056,962</u></u> | <u><u>\$ 5,632,115</u></u> |

American Academy of Pediatrics
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

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 | \$ 1,206,858 | \$ - | \$ - | \$ 1,206,858 |
| Donor-restricted endowment funds | - | 1,241,193 | 2,978,960 | \$ 4,220,153 |
| Total Funds | <u>\$ 1,206,858</u> | <u>\$ 1,241,193</u> | <u>\$ 2,978,960</u> | <u>\$ 5,427,011</u> |

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

| | <u>Board Designated</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 | 92,874 | - | 113,079 |
| Net Appropriation (Realized and Unrealized) | <u>75,971</u> | <u>290,357</u> | <u>-</u> | <u>366,328</u> |
| Total Investment Return | <u>96,176</u> | <u>383,231</u> | <u>-</u> | <u>479,407</u> |
| Contributions | - | - | 93,037 | 93,037 |
| Appropriation of Endowment: Assets for Expenditure | - | (235,407) | - | (235,407) |
| Other Charges: | | | | |
| Investment Fees | <u>-</u> | <u>(2,486)</u> | <u>-</u> | <u>(2,486)</u> |
| Endowment net assets, end of year | <u>1,206,858</u> | <u>1,241,193</u> | <u>2,978,960</u> | <u>5,427,011</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, 2018 and 2017, 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, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

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, 2018 and 7% for the year ended June 30, 2017 amounting to \$2,854,817 and \$2,825,528 in 2018 and 2017, respectively. Total Academy contributions were \$4,635,595 and \$4,604,090 for the years ended June 30, 2018 and 2017, 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.

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, 2018 under this lease, excluding real estate taxes, are due as follows:

| Years Ending June 30: | |
|-----------------------|------------------|
| 2019 | 660,902 |
| 2020 | 677,418 |
| 2021 | 694,385 |
| 2022 | 711,688 |
| 2023 | <u>729,553</u> |
| Total | <u>3,473,946</u> |

Rental expense amounted to \$1,045,045 and \$1,016,519 for the years ended June 30, 2018 and 2017, respectively.

NOTE K - CAPITAL LEASES

The Academy has leasehold interests on certain office equipment under agreements that expire at various dates through February 2021. The cost of the leased assets was \$435,797 and \$444,145, and accumulated amortization was \$92,895 and \$347,406 at June 30, 2018 and 2017 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, 2018:

| | | |
|---|------|----------------|
| | 2019 | 146,198 |
| | 2020 | 146,198 |
| | 2021 | <u>91,289</u> |
| Total minimum lease payments | | 383,685 |
| Less amount representing interest | | <u>21,662</u> |
| Total capital lease obligations | | 362,023 |
| Less current maturities | | <u>133,849</u> |
| Total long-term capital lease obligations | | \$228,174 |

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

NOTE L – DEBT

On February 20, 2015, the Academy entered into a term loan agreement with Huntington Bank to borrow up to \$15,000,000 to purchase land and begin construction. As of June 30, 2017, \$11,800,000 was borrowed and outstanding. As of June 30, 2018, \$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 2.36 percent and 2.05 percent at June 30, 2018 and 2017, respectively. Under the agreement, the Academy is subject to various financial covenants.

NOTE L – DEBT - Continued

On June 23, 2016, the Academy entered into a second loan agreement with Huntington Bank to borrow up to \$35,000,000 for the construction of the new building. As of June 30, 2017 \$4,316,000 was borrowed and outstanding. As of June 30, 2018, \$35,000,000 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 2.371 percent and 1.73 percent at June 30, 2018 and 2017, respectively. Interest expense was \$826,150 and \$184,304 for the years ended June 30, 2018 and 2017, respectively.

The balance of the above debt matures as follows:

| | |
|------------|----------------------|
| FY 2019 | \$ 1,226,178 |
| FY 2020 | 1,239,487 |
| FY 2021 | 1,252,940 |
| FY 2022 | 1,266,538 |
| FY 2023 | 1,280,286 |
| Thereafter | <u>54,734,571</u> |
| Total: | <u>\$ 61,000,000</u> |

The future minimum payments above are based off of the maximum amount of the loans. Interest expense was \$826,150 and \$184,304 for the years ended June 30, 2018 and 2017, respectively.

NOTE M – CHANGE IN ACCOUNTING PRINCIPLE

On July 1, 2017, the Academy adopted new guidance related to the measurement of inventories. Under the new guidance, inventories are measured at the lower of cost and net realizable value (NRV), with NRV based on selling prices in the ordinary course of business, less costs of completion, disposal, and transportation. In 2017 and previous years, inventories were measured at the lower of cost or market, with market value generally based on replacement costs, adjusted for other factors. Prior periods have not been restated.

American Academy of Pediatrics
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

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, 2018 and 2017 and have issued our report thereon dated September 5, 2018, 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.

September 5, 2018

American Academy of Pediatrics
DEPARTMENTAL REVENUE AND EXPENSES BY TYPE
Year ended June 30, 2018

| | Executive Director, Board, development | Human Resources | Federal affairs | Community & chapter affairs & Quality | Information technology | Finance | Membership | Marketing and publications | Public education | Education administration |
|---------------------------------|---|-----------------------|-----------------------|---|---------------------------|-----------------------|----------------------|-------------------------------|-----------------------|-----------------------------|
| Revenues | | | | | | | | | | |
| Membership dues | \$ - | \$ - | \$ - | \$ 47,911 | \$ - | \$ - | \$ 25,129,109 | \$ - | \$ 6,584 | \$ - |
| Grant Income | - | - | 138,340 | 2,715,777 | - | - | 41,962 | - | - | - |
| NCE and FOP | - | - | - | - | - | - | - | - | - | - |
| Advertising | - | - | - | - | - | - | - | 19,988 | 1,258,072 | - |
| Royalties | - | - | - | - | - | - | 606,614 | 428,036 | 49,633 | - |
| Manuals and publications | - | - | - | - | - | - | 1,467,843 | 4,672,290 | 874,481 | 37,402 |
| Subscriptions | - | - | - | - | - | - | - | 5,939,469 | 525,179 | - |
| Continuing education | - | - | 91,575 | 60,750 | - | - | - | - | - | - |
| Contributions | 7,463,436 | - | 7,970 | 29,614 | - | (15,461) | 10,725 | - | 100 | - |
| Release from Restrictions | (5,014,770) | - | 41,790 | 249,270 | - | - | 312,473 | 854,138 | 445,833 | - |
| Net investment income | - | - | - | - | - | 1,686,494 | - | - | - | - |
| Other income | (842,056) | - | 356,206 | 319,522 | 16,164 | 410,929 | 52,678 | 481,309 | - | 491,623 |
| | <u>1,606,610</u> | <u>-</u> | <u>635,881</u> | <u>3,422,844</u> | <u>16,164</u> | <u>2,081,962</u> | <u>27,621,404</u> | <u>12,395,230</u> | <u>3,159,882</u> | <u>529,025</u> |
| Expenses | | | | | | | | | | |
| Salaries | 2,388,478 | 1,883,653 | 2,523,107 | 2,789,405 | 3,436,678 | 1,889,378 | 1,226,790 | 6,314,627 | 2,200,823 | 213,298 |
| Temporary help | 10,833 | - | 46,080 | 21,005 | 13,002 | 1,206 | 2,300 | 10,760 | 17,907 | - |
| Fringe benefits | 597,329 | 1,214,354 | 756,710 | 944,217 | 1,120,755 | 621,323 | 437,570 | 2,233,677 | 727,158 | 52,963 |
| Meetings | 7,150 | - | 43,115 | 216,632 | - | - | 26,694 | 247,605 | 2,388 | - |
| Travel | 482,040 | 2,243 | 269,238 | 1,071,029 | 16,131 | 69,518 | 142,199 | 112,399 | 101,380 | 16,054 |
| Meals | 146,353 | 42,528 | 234,580 | 465,853 | 2,271 | 8,191 | 100,993 | 16,126 | 31,609 | 2,347 |
| Printing | 77,867 | (139,525) | 10,633 | 21,870 | (63,084) | 13,550 | 148,791 | 2,738,751 | 573,628 | 21,648 |
| Postage and freight | 9,854 | 24,910 | 11,002 | 4,924 | 25,253 | 8,624 | 205,972 | 568,747 | 310,972 | 12 |
| Software | 3,105 | 41,420 | 35,364 | 4,591 | 925,732 | 184,249 | 6,008 | 12,128 | 22,181 | 765 |
| Professional Services | 30,344 | 112,019 | 56,291 | 18,698 | 1,435,825 | 535,415 | 155,787 | 514,560 | 14,094 | - |
| Building and utilities | 180,758 | (14,730) | 1,241,228 | 278,631 | 1,266,566 | 166,943 | 150,345 | 682,874 | 241,774 | 17,977 |
| Supplies | 11,466 | 79,755 | 75,679 | 23,848 | 48,519 | 30,533 | 7,297 | 7,096 | 28,748 | 487 |
| Support of other organizations | 192,554 | - | - | - | - | - | - | - | - | - |
| Commissions | - | - | - | - | - | - | - | 3,211 | 274,680 | - |
| Honoraria | 1,009,740 | - | 1,000 | 30,200 | - | - | 178,215 | 998 | 2,500 | - |
| Consultant | 151,600 | - | 21,500 | 536,246 | - | 241,100 | 15,870 | 38,337 | 368,203 | - |
| Grants Made | - | - | 60,000 | 1,115,572 | - | - | - | - | - | - |
| Subcontracts | - | - | - | 334,846 | - | - | - | - | - | - |
| Miscellaneous | 35,593 | 74,407 | 3,832 | 1,336 | 3,671 | 867,055 | 619,192 | 160,287 | 23,353 | 42 |
| | <u>5,335,064</u> | <u>3,321,034</u> | <u>5,389,359</u> | <u>7,878,903</u> | <u>8,231,319</u> | <u>4,637,085</u> | <u>3,424,023</u> | <u>13,662,183</u> | <u>4,941,398</u> | <u>325,593</u> |
| | <u>\$ (3,728,454)</u> | <u>\$ (3,321,034)</u> | <u>\$ (4,753,478)</u> | <u>\$ (4,456,059)</u> | <u>\$ (8,215,155)</u> | <u>\$ (2,555,123)</u> | <u>\$ 24,197,381</u> | <u>\$ (1,266,953)</u> | <u>\$ (1,781,516)</u> | <u>\$ 203,432</u> |
| Impairment | | | | | | | | | | |
| Realized/Unrealized Gain/(Loss) | - | - | - | - | - | 2,122,970 | - | - | - | - |
| Net Income (Expense) | <u>\$ (3,728,454)</u> | <u>\$ (3,321,034)</u> | <u>\$ (4,753,478)</u> | <u>\$ (4,456,059)</u> | <u>\$ (8,215,155)</u> | <u>\$ (432,153)</u> | <u>\$ 24,197,381</u> | <u>\$ (1,266,953)</u> | <u>\$ (1,781,516)</u> | <u>\$ 203,432</u> |

American Academy of Pediatrics
DEPARTMENTAL REVENUE AND EXPENSES BY TYPE - CONTINUED
Year ended June 30, 2018

| | Continuing medical education | Life support | e-Learning & Medical journals | Meeting and convention services | International | Child health and wellness | Research | Chief medical officer | Subspecialty Pediatrics | Total |
|---------------------------------|------------------------------------|---------------------|----------------------------------|---------------------------------------|---------------------|------------------------------|-----------------------|--------------------------|----------------------------|---------------------|
| Revenues | | | | | | | | | | |
| Membership dues | \$ - | \$ - | \$ - | \$ - | \$ 32,672 | \$ 163,008 | \$ - | \$ 8,668 | \$ 592,864 | \$ 25,980,816 |
| Grant Income | - | 422,846 | 371 | - | 1,976,944 | 11,981,650 | 1,489,424 | 5,513,033 | 2,586,628 | 26,866,975 |
| NCE and FOP | - | - | - | 7,313,735 | - | - | - | - | - | 7,313,735 |
| Advertising | - | - | 2,845,071 | 554,324 | - | - | - | - | - | 4,677,455 |
| Royalties | - | 1,459,064 | 349,059 | 495,811 | - | - | - | (5,000) | 33,901 | 3,417,118 |
| Manuals and publications | - | 2,120,101 | 615,993 | - | - | - | - | - | 2,358,639 | 12,146,749 |
| Subscriptions | - | 1,170,143 | 12,297,274 | - | - | - | - | - | 32,894 | 19,964,959 |
| Continuing education | 3,769,958 | 4,109,255 | 23,062 | - | - | - | - | - | 22,250 | 8,076,850 |
| Contributions | - | 44,503 | - | - | 43,984 | 32,022 | 5,902 | 20,382 | 18,553 | 7,661,730 |
| Release from Restrictions | 61,436 | 163,984 | 238,501 | 285,000 | 30,185 | 945,044 | - | 241,478 | 1,145,638 | - |
| Net investment income | - | - | - | - | - | - | - | - | - | 1,686,494 |
| Other income | 20,220 | (491,261) | 55,067 | 480,489 | (2,477) | 115,219 | 8,317 | 5,293 | 331,516 | 1,808,758 |
| | <u>3,851,614</u> | <u>8,998,635</u> | <u>16,424,398</u> | <u>9,129,359</u> | <u>2,081,308</u> | <u>13,236,943</u> | <u>1,503,643</u> | <u>5,783,854</u> | <u>7,122,883</u> | <u>119,601,639</u> |
| Expenses | | | | | | | | | | |
| Salaries | 1,065,210 | 1,272,816 | 2,151,344 | 1,590,983 | 842,365 | 4,750,287 | 1,890,377 | 1,846,289 | 3,731,240 | 44,007,148 |
| Temporary help | 4,295 | 22,828 | 6,797 | 8,210 | 14,345 | 39,692 | 11,468 | 5,608 | 27,820 | 264,156 |
| Fringe benefits | 356,610 | 428,606 | 795,579 | 603,208 | 272,591 | 1,577,900 | 598,786 | 524,141 | 1,175,070 | 15,038,547 |
| Meetings | 505,368 | 84,904 | 18,243 | 3,013,590 | 27,814 | 78,221 | 8,636 | 18,011 | 159,810 | 4,458,181 |
| Travel | 183,925 | 133,848 | 365,646 | 538,960 | 388,016 | 779,258 | 99,353 | 366,384 | 1,358,425 | 6,496,046 |
| Meals | 1,487,017 | 63,344 | 87,546 | 581,389 | 101,837 | 146,631 | 36,910 | 86,441 | 636,545 | 4,278,511 |
| Printing | 230,928 | 215,558 | 2,691,435 | 271,620 | 10,800 | 181,542 | 73,406 | 18,286 | 437,543 | 7,535,247 |
| Postage and freight | 10,613 | 21,260 | 754,296 | 30,154 | 1,115 | 49,349 | 20,118 | 9,499 | 20,876 | 2,087,550 |
| Software | 623 | 33,836 | 25,495 | 11,503 | 2,929 | 33,462 | 2,102 | 10,969 | 1,967 | 1,358,429 |
| Professional Services | - | 320,699 | 1,312,564 | 21,705 | 21,380 | 130,380 | - | - | 27,836 | 4,707,597 |
| Building and utilities | 122,832 | 145,084 | 247,743 | 397,611 | 86,108 | 487,116 | 186,772 | 210,726 | 336,926 | 6,433,284 |
| Supplies | 7,693 | 18,288 | 36,464 | 117,508 | 6,845 | 214,088 | 91,359 | 12,156 | 133,552 | 951,381 |
| Support of other organizations | - | - | - | - | 1,050 | - | 1,500 | - | - | 195,104 |
| Commissions | - | 2,346 | 352,149 | 131,411 | - | - | - | - | 1,955 | 765,752 |
| Honoraria | 74,625 | 1,400 | 133,420 | 52,600 | 500 | 231,600 | 20,650 | 106,325 | 135,870 | 1,979,643 |
| Consultant | 21,250 | 625,659 | 972,206 | 89,208 | 21,615 | 2,138,586 | 164,088 | 595,686 | 691,404 | 6,692,558 |
| Grants Made | - | 50,502 | - | - | 230,349 | 125,400 | 8,881 | 31,249 | 393,012 | 2,014,965 |
| Subcontracts | - | 301,554 | - | - | 256,225 | 3,199,979 | 360,499 | 2,077,962 | 141,921 | 6,672,986 |
| Miscellaneous | 191,003 | 893,105 | 344,145 | 176,126 | 26,028 | 65,625 | 8,659 | 854 | 44,850 | 3,539,163 |
| | <u>4,261,992</u> | <u>4,635,637</u> | <u>10,295,072</u> | <u>7,635,786</u> | <u>2,311,912</u> | <u>14,229,116</u> | <u>3,583,564</u> | <u>5,920,586</u> | <u>9,456,622</u> | <u>119,476,248</u> |
| | <u>\$ (410,378)</u> | <u>\$ 4,362,998</u> | <u>\$ 6,129,326</u> | <u>\$ 1,493,573</u> | <u>\$ (230,604)</u> | <u>\$ (992,173)</u> | <u>\$ (2,079,921)</u> | <u>\$ (136,732)</u> | <u>\$ (2,333,739)</u> | <u>\$ 125,391</u> |
| Realized/Unrealized Gain/(Loss) | - | - | - | - | - | - | - | - | - | \$ 2,122,970 |
| Net Income (Expense) | <u>\$ (410,378)</u> | <u>\$ 4,362,998</u> | <u>\$ 6,129,326</u> | <u>\$ 1,493,573</u> | <u>\$ (230,604)</u> | <u>\$ (992,173)</u> | <u>\$ (2,079,921)</u> | <u>\$ (136,732)</u> | <u>\$ (2,333,739)</u> | <u>\$ 2,248,361</u> |

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

| | Executive Director, Board, development | Human Resources | Federal affairs | Community & chapter affairs & Quality | Information technology | Finance | Membership | Marketing and publications | Public education | Education administration |
|---------------------------------|---|-----------------------|-----------------------|---|---------------------------|-----------------------|----------------------|-------------------------------|-----------------------|-----------------------------|
| Revenues | | | | | | | | | | |
| Membership dues | \$ - | \$ - | \$ - | \$ 47,177 | \$ - | \$ - | \$ 24,807,887 | \$ - | \$ 5,958 | \$ - |
| Grant Income | - | - | - | 2,959,233 | - | - | 55,407 | - | 0 | - |
| NCE and FOP | - | - | - | - | - | - | - | - | 0 | - |
| 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 | - | - | - | - | 0 | - |
| 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 | - | - | 0 | - |
| Other income | (908,337) | - | 222,875 | 195,526 | 3,000 | 127,383 | 219,025 | 647,427 | 65,900 | 1,123,388 |
| | 1,564,998 | - | 314,050 | 3,706,337 | 3,000 | 1,547,456 | 27,349,747 | 12,511,543 | 3,772,720 | 1,180,547 |
| Expenses | | | | | | | | | | |
| 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 | - | - | - | - | - | - | - | 0 | - |
| 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 | - | - | - | - | 0 | - |
| Miscellaneous | 6,328 | 157,469 | 2,165 | 943 | - | 227,704 | 558,485 | 100,015 | 12,177 | 1,493 |
| | 5,569,597 | 3,280,066 | 4,969,122 | 8,156,048 | 8,163,724 | 3,734,461 | 3,405,818 | 13,747,917 | 5,051,228 | 626,746 |
| | <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 | | | | | | (6,900,866) | | | | |
| Realized/Unrealized Gain/(Loss) | - | - | - | - | - | 4,778,316 | - | - | - | - |
| Net Income (Expense) | <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 & Medical journals | Meeting and convention services | International and Richmond center | Child health and wellness | Research | Chief medical officer | Subspecialty Pediatrics | Total |
|--|------------------------------------|---------------------|----------------------------------|---------------------------------------|---|------------------------------|----------------------|--------------------------|----------------------------|---------------------|
| Revenues | | | | | | | | | | |
| 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 | 6,649 | (1,094,660) | 80,954 | 328,587 | 53,441 | 349,159 | 59,228 | 13,000 | 301,792 | 1,794,337 |
| | 4,933,618 | 11,768,438 | 17,736,196 | 9,072,085 | 4,096,290 | 13,966,287 | 1,407,202 | 3,359,782 | 7,265,564 | 125,555,860 |
| Expenses | | | | | | | | | | |
| 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 |
| | 4,997,176 | 4,421,448 | 10,372,091 | 7,699,493 | 4,683,269 | 14,557,223 | 3,489,334 | 3,764,700 | 9,996,178 | 120,685,639 |
| | <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 | | | | | | | | | | \$ (6,900,866) |
| Realized/Unrealized Gain/(Loss) | | | | | | | | | | 4,778,316 |
| Net Income (Expense) | <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
SCHEDULE OF FRINGE BENEFITS
Years ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| Traditional fringe benefits | | |
| Retirement | \$ 4,635,595 | \$ 4,604,090 |
| Health insurance | 6,257,889 | 6,199,368 |
| FICA | 3,028,599 | 3,053,653 |
| Life and accidental death | 115,035 | 106,267 |
| Disability | 93,148 | 88,403 |
| Working parent benefit | 72,588 | 66,510 |
| Tuition/Professional Development | 326,059 | 373,879 |
| Health insurance waiver | 53,000 | 54,900 |
| Unemployment | 28,018 | 26,953 |
| EAP | 23,327 | 23,305 |
| Dental | 242,659 | 231,910 |
| Business Travel Insurance | 13,274 | 18,031 |
| Health Initiatives | 21,520 | 25,173 |
| Vision | 5,411 | 4,017 |
| Adoption | 39,496 | 18,613 |
| Lactation | 5,786 | 5,772 |
| | <u>14,961,404</u> | <u>14,900,844</u> |
| Other employee-related expenses | | |
| Employee activities | 77,143 | 62,660 |
| | <u>77,143</u> | <u>62,660</u> |
| Total fringe benefits | <u><u>\$15,038,547</u></u> | <u><u>\$14,963,504</u></u> |