

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

JUNE 30, 2023 AND 2022

CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
 FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES.....	5
STATEMENTS OF CASH FLOWS.....	7
NOTES TO FINANCIAL STATEMENTS	8

Independent Auditor's Report

To the Board of Directors
American Academy of Pediatrics

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of American Academy of Pediatrics (the "Academy"), which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Academy as of June 30, 2023 and 2022 and the changes of its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Academy and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

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

To the Board of Directors
American Academy of Pediatrics

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023 on our consideration of the Academy's 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 solely 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 effectiveness of the Academy's 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 the Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 15, 2023

American Academy of Pediatrics
STATEMENTS OF FINANCIAL POSITION

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 5,847,397	\$ 5,715,076
Receivables		
Publications and supplements, net of allowance	675,990	1,100,132
Contracts and grants	7,818,577	6,001,116
Pledges receivable, net of allowance	793,067	604,995
Royalties	3,461,222	3,783,597
Advertising	779,020	767,504
Meetings	396,575	370,170
Other	1,671,680	523,988
Publication inventories, net of reserve for obsolescence	1,596,985	1,357,549
Prepaid expenses	3,061,631	3,158,985
Investments	92,791,183	93,716,494
Property and equipment, net	47,843,223	49,711,127
Right to use asset, net	5,975,289	6,549,660
TOTAL ASSETS	\$ 172,711,839	\$ 173,360,393
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, trade	\$ 2,675,826	\$ 2,142,767
Chapter dues payable	826,694	713,462
Accrued expenses	2,007,464	2,310,352
Accrued salary and related expense	11,404,318	15,048,263
Deferred revenues		
Membership dues	14,070,033	13,660,977
Pediatrics subscription fees	5,097,735	5,093,959
Pediatrics in Review subscriptions fees and Pediatrics Review and Education Program enrollment fees	2,550,398	3,097,900
Contracts and grants	2,175,358	2,950,328
Meetings	4,308,860	3,444,635
Other	2,491,270	2,239,403
Refundable advances	185,503	751,815
Annuity payment liability	15,201	15,681
Capital lease obligations	71,892	167,660
Lease liability	6,392,790	6,836,179
Building loan payable	39,000,000	40,400,000
TOTAL LIABILITIES	93,273,342	98,873,381
Net assets		
Without donor restrictions		
Board designated		
Sections	5,444,234	5,819,291
Friends of Children	2,440,882	2,603,780
Strategic Endowment Fund	10,210,330	9,206,787
Tomorrow's Children Endowment Fund	2,119,739	1,555,573
Undesignated	46,700,237	46,466,931
Total without donor restrictions	66,915,422	65,652,362
With donor restrictions	12,523,075	8,834,650
TOTAL NET ASSETS	79,438,497	74,487,012
TOTAL LIABILITIES AND NET ASSETS	\$ 172,711,839	\$ 173,360,393

The accompanying notes are an integral part of these statements.

American Academy of Pediatrics
STATEMENTS OF ACTIVITIES
Years ended June 30, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue, gains and other support:						
Membership dues	\$ 26,035,204	\$ -	\$ 26,035,204	\$ 26,237,987	\$ -	\$ 26,237,987
NCE and meetings	7,729,962		7,729,962	4,649,900		4,649,900
Contracts and grants	31,431,753	2,996,138	34,427,891	31,055,362	1,809,236	32,864,598
Advertising	6,907,531		6,907,531	5,420,167		5,420,167
Royalties	4,995,228		4,995,228	4,069,051		4,069,051
Manuals and publications	9,989,251		9,989,251	13,480,176		13,480,176
Subscriptions	19,102,447		19,102,447	20,051,947		20,051,947
Continuing education	11,563,198		11,563,198	11,085,963		11,085,963
Investment income	1,686,287	103,404	1,789,691	1,941,036	58,025	1,999,061
Contributions	1,335,032	5,377,596	6,712,628	861,644	4,338,378	5,200,022
Release from restrictions	5,171,582	(5,171,582)	-	5,630,686	(5,630,686)	-
Other income	2,243,326		2,243,326	1,810,087		1,810,087
Total revenue, gains and other support	128,190,801	3,305,556	131,496,357	126,294,006	574,953	126,868,959
Expenses:						
Salaries	54,518,141		54,518,141	55,029,823		55,029,823
Temporary help	98,777		98,777	34,239		34,239
Fringe benefits	18,007,891		18,007,891	17,745,213		17,745,213
Meetings	4,160,224		4,160,224	2,351,158		2,351,158
Travel	4,488,949		4,488,949	1,704,395		1,704,395
Meals	3,342,141		3,342,141	917,222		917,222
Printing and promotion	6,872,517		6,872,517	7,350,354		7,350,354
Postage and freight	1,806,618		1,806,618	1,832,520		1,832,520
Software	2,488,111		2,488,111	2,347,590		2,347,590
Professional services	5,866,826		5,866,826	5,953,731		5,953,731
Building and utilities	6,382,239		6,382,239	5,914,501		5,914,501
Supplies	738,174		738,174	661,769		661,769
Support of other organizations	286,055		286,055	439,323		439,323
Commissions	770,122		770,122	602,297		602,297
Honoraria	2,811,437		2,811,437	2,208,992		2,208,992
Consultant	6,423,388		6,423,388	7,067,537		7,067,537
Bank charges	1,384,853		1,384,853	1,392,982		1,392,982
Grants made	4,599,605		4,599,605	3,860,128		3,860,128
Subcontracts	7,042,102		7,042,102	6,890,088		6,890,088
Interest	1,444,100		1,444,100	464,598		464,598
Miscellaneous	521,909		521,909	563,010		563,010
Total expenses	134,054,179	-	134,054,179	125,331,470	-	125,331,470
Change in net assets due to operations	(5,863,378)	3,305,556	(2,557,822)	962,536	574,953	1,537,489
Net realized and unrealized gain/(loss)	7,126,438	382,869	7,509,307	(15,328,321)	(770,370)	(16,098,691)
Changes in net assets	1,263,060	3,688,425	4,951,485	(14,365,785)	(195,417)	(14,561,202)
Beginning net assets	65,652,362	8,834,650	74,487,012	80,018,147	9,030,067	89,048,214
Ending net assets	\$ 66,915,422	\$ 12,523,075	\$ 79,438,497	\$ 65,652,362	\$ 8,834,650	\$ 74,487,012

The accompanying notes are an integral part of these statements.

American Academy of Pediatrics
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023

	Education activities	Educational publishing	Child health activities	Membership	Advocacy	Research	Program sub-total	Management and general	Fundraising	Supporting sub-total	Total
Total expenses											
Salaries and fringe benefits	\$ 5,956,260	\$ 17,663,306	\$ 25,512,055	\$ 1,863,459	\$ 3,412,462	\$ 2,639,484	\$ 57,047,026	\$ 13,514,574	\$ 2,063,209	\$ 15,577,783	\$ 72,624,809
Travel, meals and meetings	5,983,734	647,039	4,104,232	235,168	335,897	72,062	11,378,132	577,147	36,035	613,182	11,991,314
Printing, promotion, postage and freight	204,952	4,947,286	302,217	226,373	8,371	86,663	5,775,862	2,812,032	91,240	2,903,272	8,679,134
Professional services, consulting and subcontracts	1,083,172	4,093,838	9,924,102	124,648	476,937	220,920	15,923,617	3,370,094	38,605	3,408,699	19,332,316
Building, depreciation, interest and software	503,625	216,714	57,605	3,059	1,091,455	2,580	1,875,038	8,431,951	7,462	8,439,413	10,314,451
Other expenses	1,102,542	644,727	5,441,023	934,621	241,847	160,332	8,525,092	2,556,390	30,673	2,587,063	11,112,155
Facilities allocation	385,132	1,122,620	1,360,255	122,915	180,275	147,497	3,318,694	(3,425,221)	106,527	(3,318,694)	-
Information technologies allocation	886,694	2,584,618	3,131,727	282,987	415,048	339,585	7,640,659	(7,885,915)	245,256	(7,640,659)	-
Total expenses	<u>\$ 16,106,111</u>	<u>\$ 31,920,148</u>	<u>\$ 49,833,216</u>	<u>\$ 3,793,230</u>	<u>\$ 6,162,292</u>	<u>\$ 3,669,123</u>	<u>\$111,484,120</u>	<u>\$ 19,951,052</u>	<u>\$ 2,619,007</u>	<u>\$ 22,570,059</u>	<u>\$ 134,054,179</u>

The accompanying notes are an integral part of these statements.

American Academy of Pediatrics
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	Education activities	Educational publishing	Child health activities	Membership	Advocacy	Research	Program sub-total	Management and general	Fundraising	Supporting sub-total	Total
Total expenses											
Salaries and fringe benefits	\$ 5,799,419	\$ 16,798,175	\$ 26,826,380	\$ 1,616,350	\$ 3,454,396	\$ 2,649,962	\$ 57,144,682	\$ 13,793,740	\$ 1,870,853	\$ 15,664,593	\$ 72,809,275
Travel, meals and meetings	2,908,045	130,691	1,551,715	53,915	96,996	11,781	4,753,143	217,909	1,723	219,632	4,972,775
Printing, promotion, postage and freight	341,148	5,033,034	305,907	254,407	1,416	55,891	5,991,803	3,093,822	97,249	3,191,072	9,182,874
Professional services, consulting and subcontracts	887,520	3,699,009	10,938,527	90,085	379,129	287,501	16,281,771	3,074,068	555,517	3,629,585	19,911,356
Building, depreciation, interest and software	30,010	192,035	116,772	2,939	1,102,213	3,248	1,447,217	7,273,706	5,766	7,279,472	8,726,689
Other expenses	661,009	689,355	4,186,805	943,854	364,679	149,333	6,995,035	2,650,603	82,863	2,733,466	9,728,501
Facilities allocation	368,402	1,062,369	1,490,744	111,377	171,350	154,215	3,358,457	(3,452,699)	94,242	(3,358,457)	-
Information technologies allocation	832,651	2,401,133	3,369,332	251,732	387,280	348,552	7,590,680	(7,803,683)	213,003	(7,590,680)	-
Total expenses	<u>\$ 11,828,204</u>	<u>\$ 30,005,801</u>	<u>\$ 48,786,182</u>	<u>\$ 3,324,659</u>	<u>\$ 5,957,459</u>	<u>\$ 3,660,483</u>	<u>\$103,562,788</u>	<u>\$ 18,847,466</u>	<u>\$ 2,921,216</u>	<u>\$ 21,768,682</u>	<u>\$ 125,331,470</u>

The accompanying notes are an integral part of these statements.

American Academy of Pediatrics
STATEMENTS OF CASH FLOWS
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 4,951,485	\$ (14,561,202)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	2,600,053	2,758,590
Provision for bad debt expense	(81,298)	69,758
Net realized and unrealized (gains) losses on investments	(7,509,307)	16,098,691
Contributions restricted for long term purposes	(189,814)	(318,382)
Change in assets and liabilities		
Receivables	(2,363,330)	93,073
Publication inventories	(239,437)	102,033
Prepaid expenses	97,354	(954,423)
Accounts payable, trade	533,059	(306,597)
Accrued expenses	(302,888)	271,295
Accrued salary and related expenses	(3,643,946)	1,220,960
Deferred revenues	206,451	(516,347)
Refundable advances	(566,312)	(424,514)
Annuity payment liability	(480)	(49,436)
Right to use lease liability	(443,390)	(422,648)
Net cash (used in) provided by operating activities	<u>(6,951,800)</u>	<u>3,060,851</u>
Cash flows from investing activities		
Purchases of property and equipment	(155,304)	(105,784)
Proceeds from maturities and sales of investments	41,384,318	144,828,728
Purchases of investments	<u>(32,949,697)</u>	<u>(145,885,248)</u>
Net cash provided by (used in) investing activities	8,279,317	(1,162,304)
Cash flows from financing activities		
Contributions restricted for long term purposes	189,814	318,382
Cash received on behalf of chapters	5,805,234	5,679,343
Cash remitted to chapters	(5,692,003)	(5,731,894)
Cash payment on long term loan	(1,400,000)	(1,400,000)
Principal payments on capital lease obligations	<u>(98,241)</u>	<u>(91,139)</u>
Net cash used in financing activities	(1,195,196)	(1,225,308)
NET INCREASE IN CASH AND CASH EQUIVALENTS	132,321	673,239
Cash and cash equivalents at beginning of year	<u>5,715,076</u>	<u>5,041,837</u>
Cash and cash equivalents at end of year	<u>\$ 5,847,397</u>	<u>\$ 5,715,076</u>
Supplemental schedules of non-cash financing activities		
Right to use asset obtained in exchange for new lease liabilities	<u>\$ 2,473</u>	<u>\$ 17,848</u>
Interest paid on long term loan	<u>\$ 1,436,592</u>	<u>\$ 452,800</u>

The accompanying notes are an integral part of these statements.

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The mission of the American Academy of Pediatrics (the Academy) is to obtain optimal physical, mental and social health and well-being for all infants, children, adolescents, and young adults. The Academy seeks to promote this goal by encouraging and assisting its members in their efforts to meet the overall health needs of infants, children, adolescents and young adults, by providing support and counsel to parents and other members of the public concerned with the healthy, safety and well-being of infants, children, adolescents and young adults, their growth and development, and by serving as an advocate for infants, children, adolescents and young adults and their families within the community at large. The Academy pledges its efforts and expertise to a fundamental goal – that all children and youth have the opportunity to grow up safe and strong, with faith in the future and in themselves.

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

Use of Estimates

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

Classification of Net Assets

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

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

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Academy. These net assets may be used at the discretion of the Academy’s management and the Executive Committee of the Board of Directors (the Executive Committee). These include any designated amounts the Executive Committee has set aside for a particular purpose. The Executive Committee has resolved that the Academy shall maintain certain operating fund balances as follows:

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

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

Strategic Endowment Fund – Represents amounts designated for strategic Academy initiatives.

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

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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

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.

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.

Publication Inventories

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

Prepaid Expenses

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

Investments

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

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

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

Property and Equipment

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

Revenue and Revenue Recognition for Contracts with Customers

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

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

In some situations, the Academy collects cash prior to the satisfaction of the performance obligation, which results in the Academy recognizing deferred revenue. Total deferred revenue related to exchange revenue was \$28,518,296 and \$27,536,874 as of June 30, 2023 and 2022, respectively. Total deferred revenue related to exchange revenue as of July 1, 2021 was \$27,506,936.

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

Total receivables related to exchange revenue were \$6,984,487 and \$6,545,391 as of June 30, 2023 and 2022, respectively. Total receivables related to exchange revenue as of July 1, 2021 were \$6,712,595.

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

Performance obligations related to each revenue stream are detailed below.

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

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

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

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

Contributions and Grant Revenue

The Academy recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Consequently, at June 30, 2023, June 30, 2022, and July 1, 2021, contributions approximating \$619,203, \$814,315, and \$1,903,428 respectively, have not been recognized in the Academy's statement of activities because the condition(s) on which they depend has not yet been met. There were advanced payments of \$185,503, \$751,815, and \$1,176,328 recognized in the statement of financial position as refundable advances as of June 30, 2023, June 30, 2022, and July 1, 2021, respectively.

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

Contracts and grant revenue consist of cost-reimbursable federal, state, foundation, and corporate contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Academy has incurred expenditures in compliance with specific contract or grant provisions. Amounts that have been awarded but not yet recognized as revenue are treated as conditional contributions and are not reflected in the accompanying financial statements. As of June 30, 2023, June 30, 2022, and July 1, 2021, the Academy is eligible to receive and recognize \$23,831,649, \$19,667,099, and \$18,801,228, respectively, of these conditional contributions upon the occurrence of future qualifying expenses. There were advanced payments of \$2,175,358, \$2,950,328, and \$3,496,615 recognized in the statement of financial position as deferred contracts and grants as of June 30, 2023, June 30, 2022, and July 1, 2021, respectively.

Income Taxes

The Academy is a not-for-profit Illinois corporation organized exclusively for charitable, 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, 2023 and 2022, 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, 2023, 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 A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING
POLICIES – Continued**

Functional Expenses

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

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Depreciation and facilities	Employee headcount
Information technology	Employee headcount

Upcoming Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes changes to the accounting and measurement of financial assets including the Academy's accounts receivable by requiring the Academy to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The ASU also changes the way credit losses are recognized for available-for-sale debt securities. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The new guidance will be effective for the Academy's year ending June 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

Subsequent Events

The Academy has evaluated subsequent events through September 15, 2023, the date the financial statements were available to be issued. The Academy is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

NOTE B - PLEDGES RECEIVABLE

Unconditional promises to give to the Academy are recorded as pledges receivable at fair value based upon discounted estimated future cash flows, net of the allowance for uncollectible accounts. The discount rates for the years ended June 30, 2023 and 2022 ranged from 0.54% to 2.75%.

Pledges receivable as of June 30, 2023 and 2022 include the following:

	<u>2023</u>	<u>2022</u>
Pledges receivable due in:		
Less than one year	\$ 665,071	\$ 617,837
One year to five years	<u>140,000</u>	<u>45,890</u>
	805,071	663,727
Less allowance	(10,000)	(55,500)
Less unamortized discount	<u>(2,004)</u>	<u>(3,232)</u>
Pledges receivable, net	<u>\$ 793,067</u>	<u>\$ 604,995</u>

NOTE C – FAIR VALUE MEASUREMENTS

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

The following tables present information about the Academy’s assets measured at fair value on a recurring basis at June 30, 2023 and 2022, and the valuation techniques used by the Academy to determine those fair values.

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

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Academy uses no Level 2 inputs.

NOTE C - FAIR VALUE MEASUREMENTS – Continued

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

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

The following tables set forth by level, within the fair value hierarchy, the Academy’s financial assets that were accounted for at fair value on a recurring basis as of June 30, 2023 and 2022. 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	2023 Fair Value	Fair Value Measurements as of Reporting Date		
		Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 3,615,677	\$ 3,615,677	\$ -	\$ -
Fixed income securities				
Long term bonds	8,677,231	8,677,231		
Intermediate term bonds	6,503,332	6,503,332		
Short term bonds	18,945,829	18,945,829		
Fixed income blend	150,602	150,602		
Equity securities				
U.S. large cap growth	21,771,717	21,771,717		
U.S. large cap value	14,628,615	14,628,615		
U.S. small/mid-cap growth	1,446,421	1,446,421		
U.S. small/mid-cap value	3,329,910	3,329,910		
International	13,684,153	13,684,153		
Equities blend	31,713	31,713		
Real estate	5,983	5,983		
Total recurring assets	\$ 92,791,183	\$ 92,791,183	\$ -	\$ -

American Academy of Pediatrics
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE C - FAIR VALUE MEASUREMENTS – Continued

Description	2022 Fair Value	Fair Value Measurements as of Reporting Date		
		Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 6,971,883	\$ 6,971,883	\$ -	\$ -
Fixed income securities				
Long term bonds	5,329,215	5,329,215		
Intermediate term bonds	9,114,541	9,114,541		
Short term bonds	19,905,759	19,905,759		
Fixed income blend	65,752	65,752		
Equity securities				
U.S. large cap growth	18,290,389	18,290,389		
U.S. large cap value	15,309,529	15,309,529		
U.S. small/mid-cap growth	1,265,145	1,265,145		
U.S. small/mid-cap value	3,607,540	3,607,540		
International	13,831,014	13,831,014		
Equities blend	24,281	24,281		
Real estate	1,446	1,446		
Total recurring assets	\$ 93,716,494	\$ 93,716,494	\$ -	\$ -

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2023 and 2022 consists of the following:

	2023	2022
Land and improvements	\$ 11,867,705	\$ 11,867,705
Building and improvements	31,419,969	31,419,969
Building equipment	6,567,476	6,509,138
Office equipment	15,742,223	15,705,620
Furniture and fixtures	8,584,154	8,547,963
Construction in progress	32,306	8,134
Total property and equipment	74,213,833	74,058,529
Less accumulated depreciation	(26,370,610)	(24,347,402)
Property and equipment, net	\$ 47,843,223	\$ 49,711,127
Right to use (RTU) lease	\$ 7,746,764	\$ 7,744,291
Less accumulated amortization of RTU lease	(1,771,475)	(1,194,631)
Right to use asset, net	\$ 5,975,289	\$ 6,549,660

NOTE E - AGENCY FUND

Chapter dues are billed and collected by the Academy on behalf of many of its chapters and subsequently remitted to the respective chapters. Cash includes chapter dues collected, but not yet remitted, of \$826,694 and \$713,462 as of June 30, 2023 and 2022, respectively.

NOTE F - ENDOWMENT

Endowment

The Academy's endowment consists of 29 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors (the Board) to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment funds
3. General economic conditions
4. The expected total return from income and the appreciation of investments
5. Other resources of the Academy
6. The investment policies of the Academy

NOTE F – ENDOWMENT – Continued

Return Objectives and Risk Parameters

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Academy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Academy targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Academy to retain as a fund of perpetual duration. As of June 30, 2023, funds with an original gift value of \$175,000 were “underwater” by \$2,909. As of June 30, 2022, funds with an original gift value of \$235,000 were “underwater” by \$19,393.

American Academy of Pediatrics
 NOTES TO FINANCIAL STATEMENTS
 Years Ended June 30, 2023 and 2022

NOTE F – ENDOWMENT - Continued

The Academy’s endowment net asset composition by type of fund as of June 30, 2023 and 2022 are as follows:

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 12,330,069	\$ -	\$ 12,330,069
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity		4,129,009	4,129,009
Purpose or time restricted		1,278,988	1,278,988
Total funds	<u>\$ 12,330,069</u>	<u>\$ 5,407,997</u>	<u>\$ 17,738,066</u>

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 10,762,360	\$ -	\$ 10,762,360
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity		3,939,196	3,939,196
Purpose or time restricted		844,018	844,018
Total funds	<u>\$ 10,762,360</u>	<u>\$ 4,783,214</u>	<u>\$ 15,545,574</u>

American Academy of Pediatrics
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE F – ENDOWMENT - Continued

Changes in endowment net assets for the year ended June 30, 2023 and 2022, are as follows:

	2023		Total
	Without Donor Restriction	With Donor Restriction	
Endowment net assets, beginning of year	\$ 10,762,360	\$ 4,783,214	\$ 15,545,574
Investment return:			
Investment income	211,101	103,404	314,505
Net appreciation (realized and unrealized)	964,099	382,869	1,346,968
Total investment return	1,175,200	486,273	1,661,473
Contributions		189,814	189,814
Transfers designated by the board for endowment	392,509		392,509
Appropriation of endowment assets for expenditure		(51,304)	(51,304)
Endowment net assets, end of year	\$ 12,330,069	\$ 5,407,997	\$ 17,738,066
	2022		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 12,028,138	\$ 5,214,455	\$ 17,242,593
Investment return:			
Investment income	228,059	58,025	286,084
Net depreciation (realized and unrealized)	(1,793,837)	(770,370)	(2,564,207)
Total investment return	(1,565,778)	(712,345)	(2,278,123)
Contributions		318,382	318,382
Transfers designated by the board for endowment	300,000		300,000
Appropriation of endowment assets for expenditure		(37,278)	(37,278)
Endowment net assets, end of year	\$ 10,762,360	\$ 4,783,214	\$ 15,545,574

NOTE G – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Specific purpose:		
Education activities	\$ 839,036	\$ 603,284
Educational publishing	1,039,314	538,602
Child health activities	4,449,940	2,184,693
Membership	149,291	101,291
Advocacy	637,497	623,566
Endowment investments:		
Tomorrow's Children Endowment fund	2,240,135	1,934,129
Education activities	189,767	174,997
Child health activities	2,728,028	2,444,904
Membership	250,067	229,184
Net assets with donor restrictions	<u>\$ 12,523,075</u>	<u>\$ 8,834,650</u>

Net assets released from net assets with donor restrictions for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Education activities	\$ 418,030	\$ 280,353
Educational publishing	1,543,887	1,923,760
Child health activities	2,379,626	2,409,566
Membership	372,000	371,551
Advocacy	448,039	645,456
Fundraising	10,000	
Net assets released with donor restrictions	<u>\$ 5,171,582</u>	<u>\$ 5,630,686</u>

NOTE H - RETIREMENT PLAN

The Academy maintains a defined contribution retirement plan covering substantially all full-time employees. The plan contains a 401(k) provision that allows employees to make contributions to the plan on a pretax basis, subject to limitations established by the IRC. The Academy contributes an amount equal to the participant's contributions, up to 3% of the participant's compensation \$1 for \$1 and an additional \$.50 on the \$1 for the contributions from 3% to 6%. In addition, the Academy may make discretionary contributions to the plan up to an amount equal to 5% to 10% of the aggregate annual compensation of all employees, less any forfeitures of nonvested employees' accounts. The Academy made 7% discretionary contributions for the years ended June 30, 2023 and 2022 amounting to \$3,588,455 and \$3,223,610, respectively. Total Academy contributions for the years ended June 30, 2023 and 2022 were \$5,596,693 and \$5,628,322, respectively.

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

NOTE I - LEASES

The Academy leases office space in Washington, D.C. under a noncancelable, renewable lease that expires in November 2033, classified as an operating lease. Rent expense is recognized on a straight-line basis. In addition to the monthly rental payments, the Academy must also pay its proportionate share of real estate taxes and common-area maintenance expenses (CAM) on the leased space.

The Academy has leasehold interests on certain office equipment under agreements that expire at various dates through April 2026, classified as financing leases.

American Academy of Pediatrics
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE I – LEASES - Continued

Components of lease costs for the years ended June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Financing lease cost	\$ 714,393	\$ 733,621
Amortization of right-of-use assets	(642,501)	(565,961)
Interest on lease liabilities		
Operating lease cost	<u>6,392,790</u>	<u>6,836,179</u>
Total lease cost	<u>\$ 6,464,682</u>	<u>\$ 7,003,839</u>

Components of lease expense for the years ended June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Financing lease expense		
Amortization of right-of-use assets	\$ 95,768	\$ 91,139
Operating lease expense	<u>1,000,628</u>	<u>996,516</u>
Total lease expenses	<u>\$ 1,096,396</u>	<u>\$ 1,087,655</u>

Supplemental information relates to leases as of June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term (in months) -		
Financing leases	12	20
Weighted-average remaining lease term (in months) -		
Operating leases	125	137
Weighted-average discount rate - Financing leases	5.3%	5.7%
Weighted-average discount rate - Operating leases	1.7%	1.7%

NOTE I – LEASES - Continued

The following is a schedule of the future minimum lease payments under the operating and financing leases, together with the present value of the net minimum lease payments as of June 30, 2023, included in the right to use asset, net and lease liability on the Statement of Financial Position:

Years Ending June 30,	Financing Leases	Operating Leases
2024	\$ 64,692	\$ 596,287
2025	4,836	611,250
2026	4,433	626,567
2027		642,237
Thereafter		4,522,706
Total minimum lease payments	\$ 73,961	\$ 6,999,047
Less: imputed interest	(2,069)	(606,257)
Future minimum lease payments	\$ 71,892	\$ 6,392,790

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

NOTE J – DEBT

On February 20, 2015, the Academy entered into a term loan agreement with Huntington National Bank (formerly First Merit Bank) to borrow up to \$15,000,000 to purchase land and begin construction. As of June 30, 2023 and 2022 \$11,000,000 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 Huntington National Bank in June 2016. The term loan has converted to an \$11,000,000 non-amortizing term loan with a 10-year maturity. The effective interest rate was 4.82 percent and 1.74 percent at June 30, 2023 and 2022, respectively. Under the agreement, the Academy is subject to various financial covenants. As of June 30, 2023, the Academy complied with all financial covenants except the debt service ratio of which the Academy has received a waiver from Huntington National Bank as of September 5, 2023 and for the period ended June 30, 2023. As of June 30, 2022, the Academy complied with all financial covenants.

NOTE J – DEBT – Continued

On June 23, 2016, the Academy entered into a second loan agreement with Huntington National Bank to borrow up to \$35,000,000 for the construction of the new building. As of June 30, 2023 and 2022, \$28,000,000 and \$29,400,000 was borrowed and outstanding, respectively. The outstanding balance on this loan is secured by all assets of the Academy. The loan included a construction draw period of up to two years. The loan has converted to an amortizing term loan for the remainder of the 15 years from the closing of the loan. The effective interest rate was 4.82 percent and 1.74 percent at June 30, 2023 and 2022, respectively.

The balance of the above debt matures as follows:

2024	\$	1,400,000
2025		1,400,000
2026		1,400,000
2027		1,400,000
2028		1,400,000
Thereafter		<u>32,000,000</u>
Total		<u>\$39,000,000</u>

Interest expense was \$1,436,600 and \$452,800 for the years ended June 30, 2023 and 2022, respectively.

NOTE K – AVAILABILITY AND LIQUIDITY

The following table reflects the Academy’s financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,847,397	\$ 5,715,076
Publications and supplements receivable	675,990	1,100,132
Contracts and grants receivable	7,818,577	6,001,116
Pledges receivable	793,067	604,995
Royalties receivable	3,461,222	3,783,597
Advertising receivable	779,020	767,504
Meetings receivable	396,575	370,170
Other receivable	1,671,680	523,988
Investments	92,791,183	93,716,494
Total financial assets	<u>114,234,711</u>	<u>112,583,072</u>
Less amounts not available to be used within one year:		
Contractual or donor-imposed		
Receivable for restricted grants and gifts, net	952,056	845,985
Pledges receivable for operations due after one year, net	137,996	42,659
Investments held in annuity trusts and 457b investments	673,114	492,972
Donor-imposed endowment net assets	5,407,997	4,783,214
Board-designated endowment net assets	11,467,353	9,938,728
Net assets that are not expected to be spent within one year	5,895,649	4,193,810
	<u>24,534,165</u>	<u>20,297,368</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 89,700,546</u>	<u>\$ 92,285,704</u>

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