

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

JUNE 30, 2021 AND 2020

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 Financial Statements

We have audited the accompanying financial statements of American Academy of Pediatrics (the "Academy"), which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Academy of Pediatrics as of June 30, 2021 and 2020 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 30, 2021 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 30, 2021

American Academy of Pediatrics
STATEMENTS OF FINANCIAL POSITION

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 5,041,837	\$ 11,978,982
Receivables		
Publications and supplements, net of allowance	2,333,134	893,110
Contracts and grants	5,897,131	5,233,806
Pledges receivable, net of allowance	704,606	775,166
Royalties	2,051,174	2,870,841
Advertising	846,060	474,110
Meetings	1,159,680	817,858
Other	322,547	507,611
Publication inventories, net reserve for obsolescence	1,459,582	1,458,857
Prepaid expenses	2,204,562	2,933,133
Investments	108,758,668	80,472,419
Property and equipment, net	51,799,279	53,849,423
Right to use asset, net	7,096,466	7,331,359
TOTAL ASSETS	\$ 189,674,726	\$ 169,596,675
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, trade	\$ 2,449,364	\$ 735,281
Chapter dues payable	766,013	799,686
Accrued expenses	2,039,058	3,644,993
Accrued salary and related expense	13,827,303	9,413,687
Deferred revenues		
Membership dues	14,049,730	13,663,166
Pediatrics subscription fees	5,130,064	5,003,166
Pediatrics in Review subscriptions fees and Pediatrics		
Review and Education Program enrollment fees	3,289,178	3,275,174
Contracts and grants	3,496,615	2,316,362
Meetings	2,806,602	2,978,071
Other	2,231,362	2,097,737
Refundable advances	1,176,328	1,182,529
Annuity payment liability	65,117	70,390
Capital lease obligations	240,951	98,353
Lease liability	7,258,827	7,485,883
PPP loan payable		10,000,000
Building loan payable	41,800,000	43,083,333
TOTAL LIABILITIES	100,626,512	105,847,811
Net assets		
Without donor restrictions		
Board designated		
Sections	5,323,220	4,197,960
Neonatal Resuscitation Program		200,000
Friends of Children	2,867,646	2,816,569
Strategic Endowment	10,592,861	
Tomorrow's Children Endowment Fund	1,435,277	1,352,861
Undesignated	59,799,143	45,755,085
Total without donor restrictions	80,018,147	54,322,475
With donor restrictions	9,030,067	9,426,389
TOTAL NET ASSETS	89,048,214	63,748,864
TOTAL LIABILITIES AND NET ASSETS	\$ 189,674,726	\$ 169,596,675

The accompanying notes are an integral part of these statements. 3

American Academy of Pediatrics
STATEMENTS OF ACTIVITIES
Year ended June 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue, gains and other support:						
Membership dues	\$ 26,171,981	\$ -	\$ 26,171,981	\$ 27,176,753	\$ -	\$ 27,176,753
NCE and meetings	5,292,905		5,292,905	7,751,488		7,751,488
Contracts and grants	30,146,397	385,000	30,531,397	25,002,830	2,618,080	27,620,910
Advertising	4,052,000		4,052,000	4,282,604		4,282,604
Royalties	2,986,174		2,986,174	5,439,225		5,439,225
Manuals and publications	11,611,799		11,611,799	10,176,316		10,176,316
Subscriptions	19,144,914		19,144,914	19,882,895		19,882,895
Continuing education	6,612,104		6,612,104	7,488,922		7,488,922
Investment income	1,703,328	121,424	1,824,752	1,756,773	126,641	1,883,414
Contributions	1,131,083	4,242,451	5,373,534	1,115,437	2,958,240	4,073,677
Release from restrictions	5,805,976	(5,805,976)	-	4,523,944	(4,523,944)	-
Other income	1,663,005		1,663,005	1,519,099		1,519,099
Total revenue, gains and other support	116,321,666	(1,057,101)	115,264,565	116,116,286	1,179,017	117,295,303
Expenses:						
Salaries	51,578,560		51,578,560	46,520,588		46,520,588
Temporary help	34,775		34,775	131,154		131,154
Fringe benefits	15,483,899		15,483,899	14,690,820		14,690,820
Meetings	1,996,006		1,996,006	3,061,806		3,061,806
Travel	176,764		176,764	4,318,067		4,318,067
Meals	32,393		32,393	3,333,136		3,333,136
Printing and promotion	7,005,726		7,005,726	6,809,694		6,809,694
Postage and freight	1,833,473		1,833,473	1,656,213		1,656,213
Software	1,948,803		1,948,803	1,748,512		1,748,512
Professional services	4,852,383		4,852,383	4,181,322		4,181,322
Building and utilities	5,855,142		5,855,142	6,478,879		6,478,879
Supplies	584,069		584,069	785,430		785,430
Support of other organizations	247,461		247,461	180,652		180,652
Commissions	730,436		730,436	781,346		781,346
Honoraria	2,271,458		2,271,458	1,826,420		1,826,420
Consultant	6,882,206		6,882,206	5,304,585		5,304,585
Bank charges	1,289,913		1,289,913	1,526,520		1,526,520
Grants made	3,469,278		3,469,278	1,940,503		1,940,503
Subcontracts	7,528,870		7,528,870	7,398,706		7,398,706
Interest	423,101		423,101	957,967		957,967
Miscellaneous	1,024,409		1,024,409	1,310,210		1,310,210
Total expenses	115,249,125	-	115,249,125	114,942,530	-	114,942,530
Change in net assets due to operations	1,072,541	(1,057,101)	15,440	1,173,756	1,179,017	2,352,773
Impairment/loss on assets held for sale, including commissions			-	(382,554)		(382,554)
Gain from PPP debt forgiveness	10,000,000		10,000,000			-
Net realized and unrealized gain/(loss)	14,623,131	660,779	15,283,910	(358,952)	(25,717)	(384,669)
Changes in net assets	25,695,672	(396,322)	25,299,350	432,250	1,153,300	1,585,550
Beginning net assets	54,322,475	9,426,389	63,748,864	53,890,225	8,273,089	62,163,314
Ending net assets	\$ 80,018,147	\$ 9,030,067	\$ 89,048,214	\$ 54,322,475	\$ 9,426,389	\$ 63,748,864

The accompanying notes are an integral part of these statements.

American Academy of Pediatrics
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021

	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	\$ 5,772,371	\$ 15,382,386	\$ 23,287,970	\$ 1,725,027	\$ 3,238,528	\$ 2,498,824	\$ 51,905,106	\$ 13,336,703	\$ 1,855,425	\$ 15,192,128	\$ 67,097,234
Travel, meals and meetings	1,766,596	55,818	280,574	58,346	26,704	4,336	2,192,374	12,755	34	12,789	2,205,163
Printing, promotion, postage and freight	318,437	5,148,032	292,331	227,734	548	59,181	6,046,263	2,691,280	101,656	2,792,936	8,839,199
Professional services, consulting and subcontracts	903,850	3,987,409	11,487,070	101,296	239,350	228,231	16,947,206	2,276,203	40,050	2,316,253	19,263,459
Building, depreciation, interest and software	55,932	126,071	90,129	6,632	996,028	2,688	1,277,480	6,948,363	1,203	6,949,566	8,227,046
Other expenses	877,318	671,470	3,881,672	834,047	387,267	138,930	6,790,704	2,785,363	40,957	2,826,320	9,617,024
Facilities allocation	413,576	982,244	1,481,982	94,778	189,556	137,859	3,299,995	(3,403,389)	103,394	(3,299,995)	-
Information technologies allocation	830,098	1,971,484	2,974,520	190,231	380,462	276,699	6,623,494	(6,831,019)	207,525	(6,623,494)	-
Total expenses	<u>\$ 10,938,178</u>	<u>\$ 28,324,914</u>	<u>\$ 43,776,248</u>	<u>\$ 3,238,091</u>	<u>\$ 5,458,443</u>	<u>\$ 3,346,748</u>	<u>\$ 95,082,622</u>	<u>\$ 17,816,259</u>	<u>\$ 2,350,244</u>	<u>\$ 20,166,503</u>	<u>\$ 115,249,125</u>

The accompanying notes are an integral part of these statements.

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

	Education activities	Educational publishing	Child health activities	Membership	Advocacy	Research	Program sub-total	Management and general	Fundraising	Supporting sub-total	Total
Total expenses											
Salaries and fringe benefits	\$ 5,355,406	\$ 13,873,027	\$ 20,519,019	\$ 1,788,813	\$ 2,855,681	\$ 2,552,342	\$ 46,944,287	\$ 12,772,392	\$ 1,625,883	\$ 14,398,275	\$ 61,342,562
Travel, meals and meetings	5,784,969	596,025	3,311,377	218,429	198,036	69,964	10,178,800	478,167	56,042	534,209	10,713,009
Printing, promotion, postage and freight	311,513	4,789,415	410,504	217,429	11,385	80,725	5,820,971	2,568,477	76,459	2,644,936	8,465,907
Professional services, consulting and subcontracts	1,076,889	3,385,127	10,056,323	83,881	54,649	195,484	14,852,353	2,018,634	13,626	2,032,260	16,884,613
Building, depreciation, interest and software	259,020	117,603	61,984	6,394	844,170	4,853	1,294,023	7,890,308	1,027	7,891,335	9,185,358
Other expenses	1,633,335	855,995	2,432,723	857,631	53,219	152,730	5,985,632	2,282,509	82,940	2,365,449	8,351,081
Facilities allocation	484,523	1,117,371	1,592,005	148,323	59,329	177,988	3,579,539	(3,698,198)	118,659	(3,579,539)	-
Information technologies allocation	804,070	1,975,215	2,621,965	262,197	419,514	349,595	6,432,556	(6,642,313)	209,757	(6,432,556)	-
Total expenses	<u>\$ 15,709,725</u>	<u>\$ 26,709,778</u>	<u>\$ 41,005,898</u>	<u>\$ 3,583,096</u>	<u>\$ 4,495,983</u>	<u>\$ 3,583,681</u>	<u>\$ 95,088,161</u>	<u>\$ 17,669,976</u>	<u>\$ 2,184,393</u>	<u>\$ 19,854,369</u>	<u>\$ 114,942,530</u>

The accompanying notes are an integral part of these statements.

American Academy of Pediatrics
STATEMENTS OF CASH FLOWS
Year ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Increase in net assets	\$ 25,299,350	\$ 1,585,549
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	2,816,559	2,601,820
Impairment on assets held for sale		632,553
Gain from PPP debt forgiveness	(10,000,000)	
Provision for bad debt expense	11,252	1,020
Net realized and unrealized (gains) losses on investments	(15,271,773)	384,669
Contributions restricted for long term purposes	(411,955)	(19,202)
Change in assets and liabilities		
Receivables	(1,753,083)	(490,594)
Publication inventories	(725)	80,257
Prepaid expenses	728,571	192,565
Accounts payable, trade	1,714,083	(632,632)
Accrued expenses	(1,605,935)	(707,080)
Accrued salary and related expenses	4,413,616	(429,920)
Deferred revenues	1,669,873	(5,140,807)
Refundable advances	(6,201)	1,182,529
Annuity payment liability	(5,273)	(5,380)
Right to use lease liability	(227,056)	31,354
Net cash provided by (used in) operating activities	7,371,303	(733,299)
Cash flows from investing activities		
Purchases of property and equipment	(259,609)	(207,517)
Proceeds from sale of building		4,367,582
Proceeds from maturities and sales of investments	30,374,959	31,550,936
Purchases of investments	(43,389,432)	(37,208,068)
Net cash used in investing activities	(13,274,082)	(1,497,067)
Cash flows from financing activities		
Contributions restricted for long term purposes	411,955	19,202
Cash received from PPP Loan		10,000,000
Cash received on behalf of chapters	5,713,764	5,823,478
Cash remitted to chapters	(5,747,437)	(6,064,540)
Cash payment on long term loan	(1,283,333)	(1,532,910)
Principal payments on capital lease obligations	(129,315)	(144,227)
Net cash (used in) provided by financing activities	(1,034,366)	8,101,003
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,937,145)	5,870,636
Cash and cash equivalents at beginning of year	11,978,982	6,108,346
Cash and cash equivalents at end of year	<u>\$ 5,041,837</u>	<u>\$ 11,978,982</u>
Supplemental schedules of non-cash financing activities		
PPP debt forgiveness	<u>\$ 10,000,000</u>	<u>\$ -</u>
Property and equipment additions included in accrued expenses	<u>\$ -</u>	<u>\$ 8,456</u>
Right to use asset obtained in exchange for new lease liabilities	<u>\$ 271,913</u>	<u>\$ 7,454,530</u>
Interest paid on long term loan	<u>\$ 414,400</u>	<u>\$ 949,081</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.

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 contract was re-negotiated in October 2020, which no longer requires a designated amount be held.

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. 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.

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 and part of the contract constitutes separate performance obligations. The Academy's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. The Academy recognizes the revenue over a period of time if the customer receives and consumes the benefits that the Academy provided, or if the Academy's performance does not create an asset with an alternative use, and has an enforceable right to payment for the performance. The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods.

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

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

Performance obligations related to each revenue stream are detailed below.

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

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

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

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 July 1, 2019, June 30, 2020 and June 30, 2021, contributions approximating \$0, \$2,333,259, 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 \$0, \$1,182,529, and \$1,176,328 recognized in the statement of financial position as refundable advances as of July 1, 2019, June 30, 2020 and June 30, 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 July 1, 2019, June 30, 2020 and June 30, 2021, the Academy is eligible to receive and recognize \$7,771,926, \$29,128,394, and \$18,801,228, respectively, of these conditional contributions upon the occurrence of future qualifying expenses. There were advanced payments of \$3,816,319, and \$2,316,362, and \$3,496,615 recognized in the statement of financial position as deferred contracts and grants as of July 1, 2019, June 30, 2020 and June 30, 2021, respectively.

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

Split-Interest Agreements

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

Income Taxes

The Academy is a not-for-profit Illinois corporation organized 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.

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

The Academy's unrelated business income results from advertising revenue and other non-member revenue. For the years ended June 30, 2021 and 2020, 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, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Functional Expenses

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

The expenses that are allocated include the following:

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

Subsequent Events

The Academy has evaluated subsequent events through September 30, 2021, 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, 2021 and 2020 ranged from 0.54% to 2.75%.

NOTE B - PLEDGES RECEIVABLE - Continued

Pledges receivable as of June 30, 2021 and 2020 include the following:

	<u>2021</u>	<u>2020</u>
Pledges receivable due in:		
Less than one year	\$ 630,103	\$ 550,656
One year to five years	<u>91,562</u>	<u>251,422</u>
	721,665	802,078
Less allowance	(10,000)	(15,000)
Less unamortized discount	<u>(7,059)</u>	<u>(11,912)</u>
Pledges receivable, net	<u>\$ 704,606</u>	<u>\$ 775,166</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, 2021 and 2020, 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.

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.

American Academy of Pediatrics
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE C - FAIR VALUE MEASUREMENTS – Continued

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

The following tables set forth by level, within the fair value hierarchy, the Academy’s financial assets that were accounted for at fair value on a recurring basis as of June 30, 2021 and 2020. 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	2021 Fair Value	Fair Value Measurements as of Reporting Date		
		Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds	\$ 243,446	\$ 243,446	\$ -	\$ -
Fixed income securities				
Corporate bonds	35,194,656	35,194,656		
Equity securities				
U.S. large cap growth	13,465,618	13,465,618		
U.S. large cap value	21,933,708	21,933,708		
U.S. small/mid-cap growth	3,070,006	3,070,006		
U.S. small/mid-cap value	3,056,394	3,056,394		
Real estate	490	490		
International	26,628,836	26,628,836		
Fixed income mutual funds	5,165,514	5,165,514		
Total recurring assets	<u>\$ 108,758,668</u>	<u>\$ 108,758,668</u>	<u>\$ -</u>	<u>\$ -</u>

American Academy of Pediatrics
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE C - FAIR VALUE MEASUREMENTS – Continued

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

Concentrations

At June 30, 2021, approximately 69 percent of the Academy’s investments were held in six individual securities, BMO TCH Core Plus Bond Fund, BMO Pyford International Stock Fund, BMO Large-Cap Growth Fund, BMO Large-Cap Value Fund, BMO Low Volatility Equity Fund, and BMO LGM Emerging Markets.

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

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

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 11,867,705	\$ 11,867,705
Building and improvements	31,419,969	31,419,969
Building equipment	6,497,922	6,497,922
Office equipment	15,697,116	15,256,217
Furniture and fixtures	8,266,996	8,266,996
Construction in progress	<u>203,037</u>	<u>384,327</u>
Total property and equipment	73,952,745	73,693,135
Less accumulated depreciation	<u>(22,153,466)</u>	<u>(19,843,713)</u>
Property and equipment, net	<u>\$ 51,799,279</u>	<u>\$ 53,849,423</u>
Right to use (RTU) lease	\$ 7,726,443	\$ 7,454,530
Less accumulated amortization of RTU lease	<u>(629,977)</u>	<u>(123,171)</u>
Right to use asset, net	<u>\$ 7,096,466</u>	<u>\$ 7,331,359</u>

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

NOTE E - AGENCY FUND

Chapter dues are billed and collected by the Academy on behalf of many of its chapters and subsequently remitted to the respective chapters. Cash includes chapter dues collected, but not yet remitted, of \$766,013 and \$799,686 as of June 30, 2021 and 2020, respectively.

NOTE F - ENDOWMENT

Endowment

The Academy's endowment consists of 25 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. There were no deficiencies as of June 30, 2021 or 2020.

American Academy of Pediatrics
 NOTES TO FINANCIAL STATEMENTS
 Years Ended June 30, 2021 and 2020

NOTE F – ENDOWMENT - Continued

The Academy’s endowment net asset composition by type of fund as of June 30, 2021 and 2020 are as follows:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 12,028,138	\$ -	\$ 12,028,138
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity		3,620,815	3,620,815
Purpose or time restricted		1,593,640	1,593,640
Total funds	<u>\$ 12,028,138</u>	<u>\$ 5,214,455</u>	<u>\$ 17,242,593</u>

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,352,861	\$ -	\$ 1,352,861
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity		3,208,860	3,208,860
Purpose or time restricted		1,023,729	1,023,729
Total funds	<u>\$ 1,352,861</u>	<u>\$ 4,232,589</u>	<u>\$ 5,585,450</u>

American Academy of Pediatrics
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE F - ENDOWMENT – Continued

Changes in endowment net assets for the year ended June 30, 2021 and 2020, are as follows:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 1,352,861	\$ 4,232,589	\$ 5,585,450
Investment return:			
Investment income	45,980	121,424	167,404
Net appreciation (realized and unrealized)	629,297	660,779	1,290,076
Total investment return	<u>675,277</u>	<u>782,203</u>	<u>1,457,480</u>
Contributions		411,955	411,955
Transfers designated by the board for endowment	10,000,000		10,000,000
Appropriation of endowment assets for expenditure		(212,292)	(212,292)
Endowment net assets, end of year	<u>\$ 12,028,138</u>	<u>\$ 5,214,455</u>	<u>\$ 17,242,593</u>
	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 1,330,970	\$ 4,401,206	\$ 5,732,176
Investment return:			
Investment income	27,952	124,741	152,693
Net depreciation (realized and unrealized)	(6,061)	(25,717)	(31,778)
Total investment return	<u>21,891</u>	<u>99,024</u>	<u>120,915</u>
Contributions		19,202	19,202
Appropriation of endowment assets for expenditure		(286,843)	(286,843)
Endowment net assets, end of year	<u>\$ 1,352,861</u>	<u>\$ 4,232,589</u>	<u>\$ 5,585,450</u>

NOTE G – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Specific purpose:		
Education activities	\$ 451,571	\$ 684,900
Educational publishing	958,093	958,093
Child health activities	2,085,105	3,028,615
Membership	110,292	110,292
Advocacy	210,552	411,900
Endowment investments:		
Tomorrow's Children fund	2,046,968	1,745,390
Education activities	199,981	159,410
Child health activities	2,701,466	2,113,921
Membership	266,039	213,868
Net assets with donor restrictions	<u>\$ 9,030,067</u>	<u>\$ 9,426,389</u>

Net assets released from net assets with donor restrictions for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Education activities	\$ 501,329	\$ 403,000
Educational publishing	2,371,939	1,654,819
Child health activities	2,003,260	2,044,482
Membership	343,100	410,643
Advocacy	586,348	
Supporting activities		11,000
Net assets released with donor restrictions	<u>\$ 5,805,976</u>	<u>\$ 4,523,944</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, 2021 and 2020 amounting to \$2,926,632 and \$3,033,048, respectively. Total Academy contributions for the years ended June 30, 2021 and 2020 were \$4,693,643 and \$4,769,908, respectively.

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

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

NOTE I - LEASES

Operating Lease

The Academy leases office space in Washington, D.C. under a noncancelable, renewable lease that expires in November 2033. Rent expense is recognized on a straight-line basis. In addition to monthly rental payments, the Academy must also pay its proportionate share of real estate taxes and common-area maintenance expenses (CAM) on the leased space. The total minimum rental commitments as of June 30, 2021 under this lease, excluding real estate taxes and CAM, are due as follows:

Years Ending June 30,	
2022	592,093
2023	592,093
2024	584,571
2025	584,571
Thereafter	<u>4,920,142</u>
Total	<u>\$ 7,273,470</u>

The Academy's right-of-use asset consists of the lease described above, which is classified as an operating lease, along with several other office equipment leases classified as finance leases. The right-of-use asset and related lease liability have been calculated using a borrowing rate of 1.68 percent.

Capital Lease

The Academy has leasehold interests on certain office equipment under agreements that expire at various dates through November 2021. The cost of the leased assets was \$696,545 and \$424,632, and accumulated amortization was \$454,475 and \$347,450 at June 30, 2021 and 2020 respectively.

NOTE I – 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, 2021, included in the right to use asset, net and lease liability on the Statement of Financial Position:

	Years ending June 30,	
	2022	\$ 100,038
	2023	100,092
	2024	<u>60,076</u>
Total minimum lease payments		260,206
Less amount representing interest		<u>(19,255)</u>
Total capital lease obligations		240,951
Less current maturities		<u>(90,928)</u>
Total long-term capital lease obligations		<u>\$ 150,023</u>

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, 2021 and 2020 \$11,000,000 and \$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 First Merit Bank in June 2016. Five years after the closing of the second loan entered into, this term loan will convert to an \$11,000,000 non-amortizing term loan with a 10-year maturity. The effective interest rate was 1.01 percent and 1.07 percent at June 30, 2021 and 2020, respectively. Under the agreement, the Academy is subject to various 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, 2021 and 2020, \$30,800,000 and \$32,083,333 was borrowed and outstanding, respectively. The outstanding balance on this loan is secured by all assets of the Academy. The loan included a construction draw period of up to two years. The loan has converted to an amortizing term loan for the remainder of the 15 years from the closing of the loan. The effective interest rate was 1.01 percent and 1.07 percent at June 30, 2021 and 2020, respectively.

The balance of the above debt matures as follows:

2022	\$	1,400,000
2023		1,400,000
2024		1,400,000
2025		1,400,000
2026		1,400,000
Thereafter		<u>34,800,000</u>
Total		<u>\$ 41,800,000</u>

Interest expense was \$414,400 and \$979,558 for the years ended June 30, 2021 and 2020, respectively.

American Academy of Pediatrics
 NOTES TO FINANCIAL STATEMENTS
 Years Ended June 30, 2021 and 2020

NOTE K – AVAILABILITY AND LIQUIDITY

The following table reflects the Academy’s financial assets as of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,041,837	\$ 11,978,982
Publications and supplements receivable	2,333,134	893,110
Contracts and grants receivable	5,897,131	5,233,806
Pledges receivable	704,606	775,166
Royalties receivable	2,051,174	2,870,841
Advertising receivable	846,060	474,110
Meetings receivable	1,159,680	817,858
Other receivable	322,547	507,611
Investments	<u>108,758,668</u>	<u>80,472,419</u>
Total financial assets	127,114,837	104,023,903
Less amounts not available to be used within one year:		
Contractual or donor-imposed		
Receivables with contractual obligations	\$ 5,897,131	\$ 5,233,806
Receivable for restricted grants and gifts, net	400,576	835,500
Pledges receivable for operations due after one year, net	84,503	239,509
Investments held in annuity trusts	983,970	741,812
Donor-imposed endowment net assets	5,214,455	4,232,589
Net assets that are not expected to be spent within one year	<u>2,651,474</u>	<u>3,957,980</u>
	<u>15,232,109</u>	<u>15,241,196</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 111,882,728</u>	<u>\$ 88,782,707</u>

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

NOTE L – IMPACT OF DISEASE OUTBREAK AND PAYCHECK PROTECTION PROGRAM LOAN

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

During the year ended June 30, 2020, the Academy received a Paycheck Protection Program (PPP) loan in the amount of \$10,000,000. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and staffing level and salary maintenance requirements are met.

Prior to June 30, 2021, the Academy applied for and received notification of forgiveness of the loan from the SBA. Loan forgiveness in the amount of \$10,000,000 has been recorded as gain from PPP debt forgiveness on the statement of activities.