



American Diabetes Association

Consolidated Financial Statements and
Supplementary Information
Year Ended December 31, 2019

American Diabetes Association

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2019

American Diabetes Association

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Independent Auditor's Report

Board of Directors
American Diabetes Association
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Diabetes Association, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Diabetes Association as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended December 31, 2018 has been derived from the 2018 audited consolidated financial statements. Those consolidated financial statements were audited by other auditors, whose report dated May 28, 2019 expressed an unmodified opinion on those audited consolidated financial statements.

Other Matter

Our audit was conducted for the purpose of forming and opinion on the consolidated financial statements as a whole. The supplementary information on page 29 and 30, which is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statement or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

McLean, Virginia
May 27, 2020

Consolidated Financial Statements

American Diabetes Association

Consolidated Statement of Financial Position December 31, 2019 (With Summarized Comparative Totals for 2018)

(in thousands)

<i>December 31,</i>	2019	2018 (Summarized)
Assets		
Cash and cash equivalents	\$ 8,554	\$ 10,720
Investments (notes 5 and 6)	33,369	37,395
Restricted investment in real estate (note 18)	12,818	12,818
Accounts receivable, net (notes 7 and 18)	9,586	9,768
Inventory and supplies, net	2,742	2,476
Prepaid expenses and other assets	3,461	2,985
Contributions receivable, net (note 8)	45,000	44,111
Property and equipment, net (note 9)	11,710	13,823
Interest in perpetual trusts (note 6)	10,638	9,687
Total assets	137,878	143,783
Liabilities and Net Assets		
Accounts payable and accrued liabilities (notes 6, 15 and 17)	23,163	24,383
Research grants payable	13,201	23,511
Deferred revenue	9,017	9,792
Total liabilities	45,381	57,686
Commitments (note 17)		
Net assets		
Without donor restrictions	(2,075)	(6,773)
With donor restrictions (notes 10 and 11)	94,572	92,870
Total net assets	92,497	86,097
Total liabilities and net assets	\$ 137,878	\$ 143,783

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2019 (With Summarized Comparative Totals for 2018) (in thousands)

<i>December 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total (Summarized)
Revenue:				
Contributions and grants:				
Donations	\$ 28,282	\$ 30,279	\$ 58,561	\$ 67,427
Special events	20,366	1,926	22,292	23,620
Less: costs of direct benefits to donors	(3,744)	-	(3,744)	(3,938)
Bequests	25,411	9,722	35,133	33,526
Federated and nonfederated organizations	3,357	98	3,455	4,441
Total contributions and grants	73,672	42,025	115,697	125,076
Fees from exchange transactions:				
Subscriptions and other income from periodicals	12,188	-	12,188	12,665
Sales of materials	2,176	-	2,176	2,743
Program service fees	16,707	-	16,707	16,256
Other revenue	2,803	-	2,803	3,891
Total fees from exchange transactions	33,874	-	33,874	35,555
Investment return, net (note 5)	4,461	1,931	6,392	636
Net assets released from restrictions	42,254	(42,254)	-	-
Total revenue	154,261	1,702	155,963	161,267
Expenses (note 13):				
Program activities:				
Research	36,874	-	36,874	37,853
Information	46,098	-	46,098	45,015
Advocacy and public awareness	24,082	-	24,082	25,200
Total program activities	107,054	-	107,054	108,068
Supporting services:				
Management and general	10,788	-	10,788	9,043
Fundraising	31,721	-	31,721	31,482
Total supporting services	42,509	-	42,509	40,525
Total expenses	149,563	-	149,563	148,593
Change in net assets	4,698	1,702	6,400	12,674
Net assets, beginning of year	(6,773)	92,870	86,097	73,423
Net assets, end of year	\$ (2,075)	\$ 94,572	\$ 92,497	\$ 86,097

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2019 (With Summarized Comparative Totals for 2018)

(in thousands)

Year ended December 31,	Program activities				Supporting services			2019 Total	2018 Total (Summarized)
	Research	Information	Advocacy and public awareness	Total	Management and general	Fundraising	Total		
Employee costs	\$ 1,965	\$ 15,992	\$ 12,797	\$ 30,754	\$ 6,511	\$ 12,929	\$ 19,440	\$ 50,194	\$ 52,399
Grants	26,292	57	-	26,349	-	-	-	26,349	26,494
Professional fees	1,761	8,759	2,939	13,459	1,246	3,621	4,867	18,326	15,581
Printing and publications	1,161	5,094	2,124	8,379	115	6,765	6,880	15,259	14,545
Occupancy cost	286	4,448	1,624	6,358	805	1,613	2,418	8,776	9,325
Conferences and meetings	4,532	1,567	344	6,443	8	134	142	6,585	5,561
Postage and shipping	214	1,636	945	2,795	62	2,927	2,989	5,784	6,209
Miscellaneous	189	1,151	882	2,222	1,113	1,273	2,386	4,608	4,879
Supplies	19	3,632	195	3,846	50	213	263	4,109	3,188
Depreciation and amortization	147	1,140	956	2,243	479	956	1,435	3,678	3,890
Travel	75	1,104	598	1,777	145	450	595	2,372	2,243
Telecommunications	59	441	360	860	177	354	531	1,391	1,461
Data processing	142	750	83	975	-	274	274	1,249	1,756
Equipment rental and maintenance	32	327	235	594	77	212	289	883	1,062
	\$ 36,874	\$ 46,098	\$ 24,082	\$ 107,054	\$ 10,788	\$ 31,721	\$ 42,509	149,563	148,593

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Cash Flows

For the Year Ended December 31, 2019 (with Summarized Comparative Totals for 2018)

(in thousands)

<i>December 31,</i>	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 6,400	\$ 12,674
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,678	3,890
Net unrealized and realized (gain) loss on investments	(3,227)	2,593
Loss on disposal of property and equipment	-	4
Provisions for doubtful receivables and obsolete inventory	1,335	977
Contributions to third-party perpetual trusts	(186)	-
Contributions to restricted endowment	(80)	(5)
Donated securities	(916)	(195)
(Increase) decrease in:		
Accounts receivable	34	(140)
Inventory and supplies	(475)	(333)
Prepaid expenses and other assets	(476)	392
Contributions receivable	(1,867)	(12,713)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(1,220)	(1,299)
Research grants payable	(10,310)	(3,387)
Deferred revenues	(775)	(671)
Net cash (used in) provided by operating activities	(8,085)	1,787
Cash flows from investing activities:		
Purchases of investments	(47,199)	(38,160)
Sales or maturities of investments	53,501	39,043
Proceeds from sale of property and equipment	-	9
Purchase of property and equipment	(1,565)	(1,631)
Net cash provided by (used in) investing activities	4,737	(739)
Cash flows from financing activities:		
Contributions to third-party perpetual trusts	186	-
Contributions to restricted endowment	80	5
Proceed from donated securities	916	195
Net cash provided by financing activities	1,182	200
Net (decrease) increase in cash and cash equivalents	(2,166)	1,248
Cash and cash equivalents, beginning of year	10,720	9,472
Cash and cash equivalents, end of year	\$ 8,554	\$ 10,720

See accompanying notes to consolidated financial statements.

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Notes to the Consolidated Financial Statements

1. Consolidation and Organization

The consolidated financial statements include the American Diabetes Association, the American Diabetes Association Research Foundation, Inc. (the RF), and the American Diabetes Association Property Title Holding Corporation (PTHC), formed to hold an investment in real estate (collectively referred to as “ADA”). All significant inter-Association transactions have been eliminated in consolidation.

The American Diabetes Association and the RF are generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and charitable contributions to these organizations qualify for tax deductions as described in the Code. PTHC is generally exempt from income taxes under Section 501(c)(2) of the Code. These entities are subject to taxation on any net unrelated business income and have been classified as organizations that are not private foundations under Section 509(a) of the Code.

ADA recognizes the effect of income tax positions only if those positions more likely than not would not be sustained upon examination by the Internal Revenue Service. ADA has analyzed the tax positions taken and has concluded that as of December 31, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. ADA is still open to examination by taxing authorities from its year ended December 31, 2016 and forward.

2. Program Activities

ADA is a not-for-profit voluntary health agency that works to prevent and cure diabetes and to improve the lives of all people affected by diabetes. This mission is accomplished through programs in communities throughout the country. The principal program activities of ADA are:

Research - ADA provides financial support to researchers who are seeking knowledge in the following areas:

- The prevention and cure of diabetes
- The prevention and cure of the complications of diabetes
- New and improved therapies for individuals affected by diabetes

Information - ADA conducts programs that provide diabetes information to individuals with diabetes, their families, and their healthcare providers.

Advocacy and public awareness - ADA acts as an advocate for people with diabetes by delivering programs with important diabetes messages to the general public and to all levels of the government.

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Notes to the Consolidated Financial Statements

3. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of ADA have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets

The net assets and revenues, gains, and losses of ADA are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ADA are classified and reported into the two categories, net assets without donor restrictions and net assets with donor restrictions, as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. These net assets generally result from providing services and receiving contributions without donor restrictions, restricted gifts whose donor-imposed restrictions were met during the fiscal year less expenses incurred in providing services, raising contributions, and performing administrative functions.

Net assets with donor restrictions - Net assets with donor restrictions are subject to stipulations imposed by donors. These net assets generally result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of ADA pursuant to those stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit ADA to use the income earned on related investments for operations or specific purposes.

When a donor restriction expires as a result of a stipulated time restriction ending or purpose restriction being accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are defined as currency on hand, demand deposits with banks or financial institutions, federally insured certificates of deposit with original maturities of less than three months, money market funds of U.S. government securities, and other amounts that have the general characteristics of demand deposits. ADA has classified any cash or money market accounts held by external investment managers as investments as these funds are intended to be part of ADA's long-term investment strategy.

Investments

Investments in marketable equity securities and all debt securities are recorded at fair value, which is based on quoted market prices or dealer quotes. Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities and the volatility in the capital markets, changes in the value of investment securities could occur in the near term, and those investment values could materially differ from the amounts reported in the accompanying consolidated financial statements.

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Notes to the Consolidated Financial Statements

Restricted Investment in Real Estate

The restricted investment in real estate represents a 1998 donor bequest that restricted ADA from selling the property for 25 years. The restricted investment in real estate is reported at the appraised value at the time of the donation and is evaluated for impairment on an annual basis. A portion of the property is leased to corporations and derives monthly rental income that is reported in the net investment return in the consolidated statement of activities (note 5).

Inventory

Inventory comprises primarily publications and is valued at the lower of cost (first-in, first-out method) or market at net realizable value. Annually, the inventory value is reviewed and items with net realizable value less than cost are written off.

Accounts Receivable

ADA's receivables consist of amounts due for program service fees, publications, advertising, land rental (see note 18), and other exchange transactions. ADA records an allowance for doubtful accounts on its outstanding receivables based on its collection history, analysis of subsequent collections and specific identification of uncollectible accounts.

Contributions Receivable

Unconditional promises to give, including grants, contributions and bequests that are expected to be collected within one year, are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a risk-adjusted rate at the time of the contribution ranging from 2.1% to 3.0%. Amortization of the discount is included in contribution revenue. ADA records an allowance for doubtful accounts on its outstanding receivables based on its collection history, analysis of subsequent collections and specific identification of uncollectible accounts.

Property and Equipment

All property and equipment greater than \$1,000 are capitalized at cost or fair value on the date of receipt and are depreciated on a straight-line basis over the following estimated useful lives:

Leasehold improvements	10 years or life of lease if shorter
Furniture, fixtures, and equipment	5 years
Software	5-7 years

If donors stipulate the purpose for which the assets must be used and/or how long the assets must be held, the contributions are recorded with donor restrictions, otherwise such donations are reported as contributions without donor restrictions. Land is not depreciated or amortized.

Split-Interest Agreements

ADA receives certain planned gift donations that benefit not only ADA, but also the donor or another beneficiary designated by the donor. These contributions are termed split-interest agreements and are generally gifts to be received by ADA in the future. ADA benefits from the following types of

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Notes to the Consolidated Financial Statements

split-interest agreements: perpetual trusts, charitable lead and remainder trusts, gift annuities, and a pooled income fund.

ADA's share of split-interest agreements is included in investments, contributions receivable, or interest in perpetual trusts. Assets of approximately \$24,267,000 and \$19,660,000 are reported on the consolidated statement of financial position as of December 31, 2019 and 2018, respectively. When applicable, amounts to be received in future periods are discounted using a risk-adjusted rate based on the expected term of the split-interest agreements. The rate for 2019 and 2018 was 3.0%.

Amounts payable to beneficiaries, gift annuities payable, and pooled income fund liabilities of approximately \$817,000 and \$1,061,000 are reported as accrued liabilities in the consolidated statements of financial position as of December 31, 2019 and 2018, respectively.

Measure of Operations

ADA's operating revenue in excess of expenses and transfers include all operating revenues and expenses that are an integral part of its programs and supporting activities, and net assets released from donor restrictions to support operating expenditures. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions. ADA's investment distribution policies are designated to preserve the value of the investment portfolio and generate a predictable stream of available income for operations. ADA approves the investment distribution for the following fiscal year which represents an approximate 4% draw from the investment portfolios.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Contributions and Grants

All unconditional contributions and grants, including donations, those related to special events, and those related to federated and nonfederated organizations, are recognized when received and are considered available for the general programs of ADA unless specifically restricted by the donor. ADA reports monetary gifts as support with donor restrictions if they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction.

ADA records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of gift using risk-adjusted interest rates applicable to the years in which the promised funds are expected to be received. Accretion of the discounts is recognized as contribution revenue.

ADA is the beneficiary under various wills and trust agreements. Contributions received under such arrangements are recorded when a will is declared valid by a probate court and the proceeds are measurable.

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Conditional promises to give are those with a measurable performance or other barrier and right of return. ADA recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

Contributed Services and Materials

Contributed services and materials are reported as contributions in the consolidated statement of activities and changes in net assets at the fair value of the services and materials received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or if the services require specialized skills and would typically need to be purchased if not provided by donation.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when ADA satisfies a performance obligation by transferring a promised good to or performing a service for, a customer. The amount of revenue recognized reflects the consideration ADA expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, ADA combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the consolidated statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, for the various types of contracts, ADA recognizes revenue as follows:

Fees from Exchange Transactions and Deferred Revenue

ADA records revenue from exchange transactions as increases in net assets without donor restrictions to the extent that the earnings process is complete. Resources received in exchange transactions are recognized as deferred revenue to the extent the earnings process has not yet been completed. These transactions include the following:

Subscriptions and other income from periodicals include member dues and fees, publication and journal subscriptions and advertising revenue. Member dues and fees and publication and journal subscriptions are recognized ratably over the term which is generally one year. Advertising revenue is recognized at a point in time when the advertisement is published.

Sales of materials is revenue from the sale of professional and consumer books and other publications and is recognized at a point in time when shipped from warehouses maintained by ADA vendors.

Program service fees results from registration fees paid for professional events and youth and family activities and from booth and other space rentals at our professional events. Revenue for such activities is recognized at a point in time when the related event occurs.

Other revenue relates primarily to royalties, translation rights and permissions. Such revenue is earned based on the performance obligations. Under fixed fee arrangements, revenue is earned ratably over the period of the agreement for allowing the third-party organizations to use ADA's

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intellectual property. Under variable agreements, revenue is recognized in the period in which the sale of goods utilizing ADA's intellectual property are reported.

Research Program

The research program of ADA is administered through the American Diabetes Association Research Foundation, Inc. Research grants awarded by ADA generally extend over a period of one to five years, subject to renewal on an annual basis. The liability and related expenses are recorded when the recipients are notified of their annual award amount, and the liability is recorded as research grants payable in the consolidated statement of financial position.

Management Estimates and Uncertainties

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Expenses have been reported on a functional basis in the consolidated statement of activities. Expenses that are specifically associated with a programmatic activity or supporting service are allocated to that activity. Employee costs are allocated based on employee time attributed to each programmatic activity or supporting service. Costs associated with the development and distribution of mail pieces that include a call to action along with fundraising component, as described further in Note 13, are allocated based on the proportion of space used for each purpose. Overhead costs are allocated based on a weighted average of employee costs attributed to each programmatic activity or supporting service.

Concentrations of credit risk

ADA maintains its cash balance in bank deposit accounts, which, at times, may exceed Federal Deposit Insurance Corporation limits up to \$250,000. ADA has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

Credit risk with respect to account and contributions receivable is mitigated by ADA through the creation of allowances for uncollectible receivables and the discounting of long-term contributions to present value. ADA also believe the credit risk is limited due to the diversity of its donor and customer base and the size of the amount owed.

Summarized Financial Information

The consolidated statements of financial position, statements of activities and functional expenses include certain summarized comparative information for the year ended December 31, 2018. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ADA's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

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Notes to the Consolidated Financial Statements

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, and accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments.

Reclassifications

Certain amounts presented in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation, with no effects on the change in net assets.

Recently Adopted Authoritative Guidance

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update, along with ASU 2016-10, *Revenue from Contracts with Customer (Topic 606): Identifying Performance Obligation and Licensing* and ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, established a comprehensive revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation. The ASU 2014-09 is effective for fiscal year beginning after December 15, 2018. ADA adopted this accounting guidance under the modified retrospective method on January 1, 2019. The adoption of this guidance did not materially impact the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The effective date of this standard varies based on whether an organization is a resource recipient or a resource provider. As a resource recipient, for contributions received, ADA adopted this update on a prospective basis for the year ended December 31, 2019. Contribution revenue was accounted for under Accounting Standard Codification (ASC) Topic 958-605, *Not-for-Profit Entities, Revenue Recognition*, before the implementation of the new standard. With the clarifications outlined in ASU 2018-08, ADA management reviewed existing agreements as of the effective date, as well as new agreements for 2019, and concluded that there were no material changes in revenue related to contributions received.

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Notes to the Consolidated Financial Statements

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This standard relates to leasing for both lessees and lessors. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This standard has been subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10, which deferred the effective date for private companies and certain not-for-profit entities to fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The ASU is effective for ADA's fiscal year 2021. ADA is currently evaluating the impact of this ASU on the consolidated financial statements.

As noted previously herein, ASU 2018-08 provides guidance how grants and other contracts received and made are classified, as either an exchange transaction or a contribution, for both resource recipients and resource providers. For resource providers, the standard assists in the determination of the nature of the transaction which will then govern the expense recognition methodology and timing of the transactions. ADA has adopted the guidance pertinent to resource recipients for the year ended December 31, 2019. The ASU is effective for transactions in which the entity serves as the resource provider to annual periods beginning after December 15, 2019. ADA is currently evaluating the impact of the remainder of this standard on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement* (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The update modifies certain disclosure requirements in Topic 820, Fair Value Measurement. The ASU is effective for ADA's consolidated financial statements for fiscal years beginning after December 15, 2019. ADA is currently evaluating the impact of this ASU on the consolidated financial statements.

4. Liquidity and Availability

ADA funds its operations through contributions and grants and through fees from exchange transactions. ADA maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash required to meet operating needs is invested in short term accounts. To manage liquidity, ADA maintains a line-of-credit of \$10 million with a bank that is drawn upon as needed. ADA's policy is to manage its financial assets and budget to meet its general expenditure needs.

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Notes to the Consolidated Financial Statements

The following is a reconciliation of ADA's financial assets as of December 31, 2019 and 2018 to financial assets available to fund ADA's general expenditures for the following fiscal year (in thousands). General expenditures include all programmatic and supporting operating expenditures.

<i>December 31,</i>	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 8,554	\$ 10,720
Investments	33,369	37,395
Accounts receivable, net	9,586	9,768
Contributions receivable, net	45,000	44,111
Interest in perpetual trusts	10,638	9,687
Total financial assets	107,147	111,681
Adjustments for amounts not available for general expenditures within one year:		
Perpetual and term endowments	(20,971)	(19,504)
Accounts receivable due after one year, net	(7,264)	(7,083)
Contributions receivable due after one year, net	(16,602)	(15,011)
Split interest obligations	(817)	(1,061)
Donor restricted net assets that are not expected to be spent within one year	(15,205)	(19,806)
	\$ 46,288	\$ 49,216

5. Investments

Investments as of December 31 consist of the following (in thousands):

	2019	2018
U.S. government securities	\$ 11,599	\$ 14,686
Fixed-income mutual funds	7,106	4,759
Corporate equities	5,820	4,662
Equity mutual funds	4,389	3,903
Fixed-income bonds	4,003	6,873
Money market funds	448	2,512
Certificates of deposit	4	-
	\$ 33,369	\$ 37,395

Investments as of December 31, 2019 and 2018 include gift annuity investments of approximately \$3,207,000 and \$2,661,000, respectively, and the fair value of gift annuity obligations under those agreements was approximately \$817,000 and \$1,061,000, respectively. Reserves for gift annuities are held in separate investment accounts at a value equal to the original gift plus accrued income less beneficiary payments.

American Diabetes Association

Notes to the Consolidated Financial Statements

Net investment return consists of the following (in thousands):

<i>Years ended December 31,</i>		2019		2018
Property rental income, net	\$	1,816	\$	1,536
Net realized and unrealized gains (losses)		3,227		(2,593)
Interest and dividends		1,552		1,931
Investment fees		(203)		(238)
Total investment return, net	\$	6,392	\$	636

6. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value reflects ADA's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by ADA based on the best information available in the circumstances.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the use of observable inputs when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

American Diabetes Association

Notes to the Consolidated Financial Statements

The following table presents the fair value hierarchy for ADA's financial assets and liabilities that are measured at fair value on a recurring basis as follows (in thousands):

<i>Description</i>	As of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial Assets:				
Investments				
Fixed income securities:				
U.S. government securities	\$ 11,599	\$ -	\$ 11,599	-
Fixed Income-bonds	4,003	-	4,003	-
Total fixed income securities	15,602	-	15,602	-
Corporate equities	5,820	5,820	-	-
Mutual funds and others:				
Fixed-income mutual funds	7,106	7,106	-	-
Equity mutual funds	4,389	4,389	-	-
Money market funds	448	448	-	-
Certificates of deposit	4	-	4	-
Total mutual funds and others	11,947	11,943	4	-
Total Investments	33,369	17,763	15,606	-
Interest in perpetual trusts (a)	10,638	-	-	10,638
Funds held in remainder trusts (b)	10,421	-	-	10,421
Total fair value of assets	\$ 54,428	\$ 17,763	\$ 15,606	\$ 21,059
Financial liabilities:				
Split-interest obligations (c)	\$ 817	\$ -	\$ -	\$ 817
Total fair value of liabilities	\$ 817	\$ -	\$ -	\$ 817

American Diabetes Association

Notes to the Consolidated Financial Statements

<i>Description</i>	As of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial Assets:				
Investments				
Fixed income securities:				
U.S. government securities	\$ 14,686	\$ -	\$ 14,686	-
Fixed Income-bonds	6,873	-	6,873	-
Total fixed income securities	21,559	-	21,559	-
Corporate equities	4,662	4,662	-	-
Mutual funds and others:				
Fixed-income mutual funds	4,759	4,759	-	-
Equity mutual funds	3,903	3,903	-	-
Money market funds	2,512	2,512	-	-
Total mutual funds and others	11,174	11,174	-	-
Total Investments	37,395	15,836	21,559	-
Interest in perpetual trusts (a)	9,687	-	-	9,687
Funds held in remainder trusts (b)	7,312	-	-	7,312
Total fair value of assets	\$ 54,394	\$ 15,836	\$ 21,559	\$ 16,999
Financial liabilities:				
Split-interest obligations (c)	\$ 1,061	\$ -	\$ 1,061	-
Total fair value liabilities	\$ 1,061	\$ -	\$ 1,061	-

(a) ADA's interest in perpetual trusts is carried at the fair value of ADA's share of the trust assets. Distributions from the trusts are recorded as investment income and the trust values are adjusted annually for changes in the fair value of the trust assets.

(b) Funds held in remainder trusts are measured at the present value of future distributions projected to be received over the expected remaining term of the trust, or upon the trust's expiration. Note 3 includes information about the discount rates used in determining the value of the assets.

(c) Split-interest obligations are measured as the present value of future cash flows expected to be paid to the donor or the donor's designee. These obligations are adjusted during the term of each annuity for payments to donors, accretion of discounts and changes in life expectancies of the donors.

There were no transfers of assets between Level 1, 2 or 3 classification for the years ended December 31, 2019 and 2018.

American Diabetes Association

Notes to the Consolidated Financial Statements

The following table is a roll forward for the consolidated statement of financial position amount for perpetual trusts and funds held in remainder trusts classified by ADA within Level 3 of the fair value hierarchy as follows (in thousands):

	Perpetual trusts	Funds held in remainder trusts
Balance, December 31, 2017	\$ 10,431	\$ 8,380
Contributions	-	290
Investment losses	(744)	(780)
Distributions	-	(578)
Balance, December 31, 2018	9,687	7,312
Contributions	186	1,719
Investment gains	765	1,694
Distributions	-	(304)
Balance, December 31, 2019	\$ 10,638	\$ 10,421

7. Accounts Receivable

Account receivables are reported net of an allowance for doubtful accounts of approximately \$1,215,000 and \$1,603,000 as of December 31, 2019 and 2018, respectively. Of the allowance amount, \$638,000 and \$808,000 as of December 31, 2019 and 2018, respectively, relates to the land rental (see note 18).

8. Contributions Receivable

Contributions receivable consist of the following amounts due as of December 31, (in thousands):

	2019	2018
Within one year	\$ 30,651	\$ 32,243
One to five years	6,083	7,706
More than five years	340	400
	37,074	40,349
Less:		
Allowance for doubtful accounts	(2,253)	(3,143)
Present value discount	(242)	(407)
Subtotal	34,579	36,799
Funds held in remainder trusts	10,421	7,312
Contributions receivable, net	\$ 45,000	\$ 44,111

American Diabetes Association

Notes to the Consolidated Financial Statements

9. Property and Equipment

Property and equipment consist of the following as of December 31, (in thousands):

	2019	2018
Land	\$ 4	\$ 4
Leasehold improvements	6,335	6,328
Software	22,276	21,327
Furniture, fixtures and equipment	20,683	20,074
Total property and equipment	49,298	47,733
Less: accumulated depreciation and amortization	(37,588)	(33,910)
Property and equipment, net	\$ 11,710	\$ 13,823

Depreciation expense on property and equipment totaled \$3,678,000 and \$3,890,000 for the years ended December 31, 2019 and 2018, respectively.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31 (in thousands):

<i>As of December 31,</i>	2019	2018
Subject to expenditure for specified purpose and time:		
Research	\$ 21,347	\$ 31,878
Information	19,165	14,835
Advocacy	1,194	1,475
Sponsorship for fundraising activities	1,373	1,659
Future periods	17,403	10,701
Total subject to expenditure for specified purpose and time	60,482	60,548
Endowments and perpetual trusts:		
Research	4,552	4,014
Information	7,914	7,312
Advocacy	218	192
General operations of ADA	21,406	20,804
Total endowments and perpetual trusts	34,090	32,322
Total net assets with donor restrictions	\$ 94,572	\$ 92,870

American Diabetes Association

Notes to the Consolidated Financial Statements

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purpose as specified by donors or for the passage of time. Expenditure of donor-restricted funds are released out of the appreciation related to those funds to the extent allowed by the donors. Such net assets were released as follows (in thousands):

<i>Years ended December 31,</i>	2019	2018
Satisfaction of purpose and time restrictions:		
Research	\$ 13,444	\$ 14,711
Information	17,328	13,332
Advocacy	4,932	7,302
Sponsorship for fundraising activities	6,006	6,951
Future periods	147	3,584
Total satisfaction of purpose and time restrictions	41,857	45,880
Restricted purpose spending rate distribution:		
Research	60	-
Information	244	-
Advocacy	17	-
General operations of ADA	76	-
Total restricted purpose spending rate distribution	397	-
Total release	\$ 42,254	\$ 45,880

11. Endowment

ADA's endowment consists of 51 individual donor restricted endowment funds and donor restricted term endowment funds established for a variety of purposes. ADA has no board-designated endowment funds.

ADA has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowed funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ADA classifies donor restricted net assets as (a) the original value of the gifts donated to a permanent endowment and (b) the original value of subsequent gifts to permanent endowments. The associated gains and income on donor-restricted endowed funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by ADA in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, ADA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Endowment and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of ADA
- The investment policies of ADA

American Diabetes Association

Notes to the Consolidated Financial Statements

ADA has adopted an investment policy for endowment assets that provides continued financial stability for ADA and a revenue stream for spending on ADA's mission. Under this policy, as approved by the board of directors, ADA 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). ADA targets a diversified asset allocation that utilizes fixed income and equity-based investments to achieve its long-term objectives within prudent risk constraints. ADA expects its endowment funds, over time, to provide an average rate of return of approximately 7.5% annually.

ADA's endowment spending policy permits spending at a rate of 4% of the endowments' market value over a rolling five-year average. The long-term return of 7.5% and a spending rate of 4% are intended to maintain the purchasing power of the endowment.

At times, the fair value of assets associated with an individual donor restricted endowment fund may fall below the historic dollar value of the fund. During these periods, ADA does not spend income derived from underwater endowment funds but rather uses that income to replenish the corpus. Deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2019, there were no underwater funds. As of December 31, 2018, funds with deficiencies have an original gift value of \$9,903,000, a current fair value of \$9,817,000 and deficiency of \$86,000.

ADA's endowment funds are recorded with donor restrictions and consist of the following as of December 31 (in thousands):

<i>As of December 31,</i>	2019	2018
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donors:	\$ 22,801	\$ 22,721
Accumulated investment gains (losses)	651	(86)
Total endowment funds	\$ 23,452	\$ 22,635

American Diabetes Association

Notes to the Consolidated Financial Statements

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2017	\$ -	\$ 22,899	\$ 22,899
Investment return, net			
Investment income	1,536	398	1,934
Net depreciation	-	(484)	(484)
Contributions	-	5	5
Appropriation for expenditure	(1,536)	(183)	(1,719)
Endowment net assets, December 31, 2018	-	22,635	22,635
Investment return, net			
Investment income	1,816	945	2,761
Net appreciation	-	189	189
Contributions	-	80	80
Appropriation for expenditure	(1,816)	(397)	(2,213)
Endowment net assets, December 31, 2019	\$ -	\$ 23,452	\$ 23,452

12. Contributed Services and In-Kind Contributions

ADA recognizes as contribution revenue and as professional fees expense the fair value of services donated by volunteers in conjunction with the peer review process by the Grant Review Panel of the American Diabetes Association Research Foundation, Inc., medical services provided in conjunction with ADA's program activities, camps held for children with diabetes, and corporate communication services. Contributed services for occupancy are recorded in occupancy expenses. ADA recognized approximately \$3,481,000 and \$3,241,000 and are included in donations in the accompany consolidated statements of activities and changes in net assets during the years ended December 31, 2019 and 2018, respectively.

Many other volunteers made significant contributions of time to ADA's program and supporting functions. The values of those contributed services do not meet the criteria for recognition and, accordingly, are not recognized as revenues and expenses in the accompanying consolidated statement of activities and changes in net assets.

In kind contributions of supplies are recognized as contribution revenue and supplies expense and totaled approximately \$3,070,000 and \$2,198,000 and are included in donations in the accompany consolidated statements of activities and changes in net assets for the years ended December 31, 2019 and 2018, respectively.

American Diabetes Association

Notes to the Consolidated Financial Statements

13. Allocation of Joint Costs

ADA conducts activities to distribute information related to diabetes and a call to action, such as assessing a person's risk for diabetes and seeking appropriate health services, as well as an appeal for funds. The joint costs incurred through these activities for the years ended December 31, were allocated as follows (in thousands):

<i>Years ended December 31,</i>	2019	2018
Advocacy and public awareness	\$ 4,765	\$ 4,844
Management and general	293	306
Fundraising	13,616	13,477
Total joint costs	\$ 18,674	\$ 18,627

14. Pension Plans

ADA has two defined contribution pension plans that cover most salaried employees who have reached the age of 21 and completed one year of service. Pension expense for the years ended December 31, 2019 and 2018, was approximately \$1,496,000 and \$1,451,000, respectively

15. Self-Insured Medical and Dental Benefits

ADA self-insures its employee medical and dental benefits. Losses from claims identified under the incident reporting system, as well as provisions for estimated losses for incurred but not reported incidents, are accrued based on estimates that incorporate the past experience of ADA, as well as other considerations, including the nature of the claims or incidents and relevant trend factors.

Self-insured risk for employee health benefits is secured through stop loss insurance policies that protect ADA should total claims exceed a specified limit in a plan year. This limit was approximately \$7,200,000 and \$8,807,000 in 2019 and 2018, respectively.

The liability as of December 31, 2019 and 2018 was approximately \$416,000 and \$375,000, respectively, and is included in accounts payable and accrued liabilities in the consolidated statement of financial position. Benefit expense under this plan was approximately \$5,083,000 and \$4,652,000 for the years ended December 31, 2019 and 2018, respectively. The benefit expense includes claims paid and changes to the reserve for future claims.

16. Line-of- Credit

On November 28, 2018, the PTHC obtained a new revolving line of credit with a bank. The line-of-credit under bears interest at the rate of LIBOR plus 2.0% (3.76% as of December 31, 2019), is secured by real property of PTHC and is guaranteed by ADA. The line-of-credit expires on November 28, 2020. PTHC expects to renew its line of credit each year. There was no outstanding balance as of December 31, 2019. Interest and fees for the years ended December 31, 2019 and 2018 were approximately \$25,000 and \$15,000, respectively. On March 27, 2020, PTHC borrowed funds totaling \$10,000,000 on its revolving line-of-credit.

American Diabetes Association

Notes to the Consolidated Financial Statements

The line-of-credit is available for working capital and requires that PTHC maintain compliance with certain financial covenants. PTHC was in compliance with these covenants as of December 31, 2019 and 2018.

17. Lease Commitments

ADA is obligated under various noncancelable operating lease agreements for facilities expiring at various dates through July 2030. ADA has received improvement, equipment and other incentives from landlords and many of these agreements contain cost escalations providing for increases in rental rates. ADA recognizes rent expense on a straight-line basis over the life of the lease. ADA is also obligated under noncancelable operating leases for telephone and other equipment through March 2023.

As of December 31, 2019, the future minimum lease payments under operating leases with noncancelable lease terms in excess of one year were (in thousands):

Years ending December 31,

2020	\$	5,425
2021		5,061
2022		4,422
2023		3,656
2024		3,651
Thereafter		21,437
	\$	43,652

Rent expense totaled approximately \$5,644,000 and \$5,545,000 for the years ended December 31, 2019 and 2018, respectively.

18. Lease Payments Receivable

ADA holds leases on land that was donated in 1998 through a bequest. As part of the bequest, the donor restricted ADA from selling the land for 25 years from the date of the donation. As of December 31, 2019, the future minimum lease payments due to ADA under these leases were (in thousands):

Years ending December 31,

2020	\$	1,643
2021		1,240
2022		1,225
2023		1,268
2024		1,323
Thereafter		38,121
	\$	44,820

American Diabetes Association

Notes to the Consolidated Financial Statements

The accumulated difference between the rental income recognized and the straight-line value of the leases was approximately \$7,882,000 and \$7,871,000 as of December 31, 2019 and 2018, respectively, and is included in accounts receivable in the accompanying consolidated statement of financial position. Due to market conditions, management believes a significant risk exists that future rent revenue will not be recognized; therefore, an allowance against the deferred rent has been recorded in the amount of \$638,000 and \$808,000 as of December 31, 2019 and 2018, respectively.

19. Subsequent Events

ADA has evaluated subsequent events through May 27, 2020 the date the consolidated financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in the consolidated financial statements other than note 16 and the following events.

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. As of the date of issuance, this public health emergency stands to substantially impact the global economy, including significant volatility in the financial markets. The COVID-19 pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. To date, the ADA has converted certain in-person meetings and events from live to virtual activities. ADA has some insurance for event disruption and will pursue a claim for event losses due to COVID-19. In addition, ADA has taken actions to significantly reduce expenses. It remains uncertain as to the full magnitude that the pandemic will have on ADA's investment performance and its financial results. Although ADA cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on ADA's results of future operations, financial position and liquidity in fiscal year 2020.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

The ADA has applied for, and on April 17, 2020 received, funds under the Paycheck Protection Program after year end in the amount of \$8,322,000. The application for these funds requires the ADA to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the ADA. This certification further requires the ADA to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the ADA having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

American Diabetes Association

Notes to the Consolidated Financial Statements

ADA continues to examine the impact that the CARES Act may have on its business. Currently, ADA is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.

Supplemental Schedules

American Diabetes Association

Consolidating Statements of Financial Position

(in thousands)

<i>December 31, 2019</i>	American Diabetes Association	Research Foundation	Property Title Holding Corp	Eliminations	Total
Assets					
Cash and cash equivalents	\$ 8,105	\$ 449	\$ -	\$ -	\$ 8,554
Investments	33,369	-	-	-	33,369
Restricted investment in real estate	-	-	12,818	-	12,818
Intercompany receivables	6,620	32,831	-	(39,451)	-
Accounts receivable, net	2,228	-	7,358	-	9,586
Inventory and supplies, net	2,742	-	-	-	2,742
Prepaid expenses and other assets	3,461	-	-	-	3,461
Contributions receivable, net	43,883	1,117	-	-	45,000
Property and equipment, net	11,710	-	-	-	11,710
Interest in perpetual trusts	10,550	88	-	-	10,638
Total assets	\$ 122,668	\$ 34,485	\$ 20,176	\$ (39,451)	\$ 137,878
Liabilities and Net Assets					
Accounts payable and accrued liabilities	\$ 23,074	\$ -	\$ 89	\$ -	\$ 23,163
Research grants payable	-	13,201	-	-	13,201
Intercompany payables	32,831	-	6,620	(39,451)	-
Deferred revenue	8,368	-	649	-	9,017
Total liabilities	64,273	13,201	7,358	(39,451)	45,381
Net assets:					
Without donor restrictions	(2,075)	-	-	-	(2,075)
With donor restrictions	60,470	21,284	12,818	-	94,572
Total net assets	58,395	21,284	12,818	-	92,497
Total liabilities and net assets	\$ 122,668	\$ 34,485	\$ 20,176	\$ (39,451)	\$ 137,878

American Diabetes Association

Consolidating Statement of Activities and Change in Net Assets

(in thousands)

<i>Year ended December 31, 2019</i>	American Diabetes Association	Research Foundation	Property Title Holding Corp	Eliminations	Total
Revenue:					
Contributions and grants:					
Donations	\$ 55,820	\$ 2,741	\$ -	\$ -	\$ 58,561
Special events	18,548	-	-	-	18,548
Less: costs of direct benefits to donors					
Bequests	34,045	1,088	-	-	35,133
Federated and nonfederated organizations	3,365	90	-	-	3,455
Total contributions and grants	111,778	3,919	-	-	115,697
Fees from exchange transactions:					
Subscriptions and periodicals	12,188	-	-	-	12,188
Sale of materials	2,176	-	-	-	2,176
Program service fees	16,707	-	-	-	16,707
Miscellaneous revenues	2,799	4	-	-	2,803
Total fees from exchange transactions	33,870	4	-	-	33,874
Investment return, net	4,563	13	1,816	-	6,392
Intercompany revenues	2,454	17,660	-	(20,114)	-
Total revenue	152,665	21,596	1,816	(20,114)	155,963
Expenses:					
Program activities:					
Research	9,938	26,936	-	-	36,874
Information	46,098	-	-	-	46,098
Advocacy and public awareness	24,082	-	-	-	24,082
Total program activities	80,118	26,936	-	-	107,054
Management and general	10,788	-	-	-	10,788
Fundraising	31,721	-	-	-	31,721
Intercompany expenses	17,660	638	1,816	(20,114)	-
Total expenses	140,287	27,574	1,816	(20,114)	149,563
Change in net assets	12,378	(5,978)	-	-	6,400
Net assets, beginning of year	46,017	27,262	12,818	-	86,097
Net assets, end of year	\$ 58,395	\$ 21,284	\$ 12,818	\$ -	\$ 92,497