



American Diabetes Association

Consolidated Financial Statements and
Supplementary Information
Year Ended December 31, 2020

American Diabetes Association

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2020

American Diabetes Association

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Independent Auditor's Report

Board of Directors
American Diabetes Association
Arlington, Virginia

Opinion

We have audited the consolidated financial statements of American Diabetes Association, which comprise the consolidated statement of financial position as of December 31, 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of American Diabetes Association as of December 31, 2020, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of American Diabetes Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited the American Diabetes Association's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

McLean, Virginia
May 27, 2021

Consolidated Financial Statements

American Diabetes Association

Consolidated Statement of Financial Position December 31, 2020 (With Summarized Comparative Totals for 2019)

(in thousands)

<i>December 31,</i>	2020	2019 Total (Summarized)
Assets		
Cash and cash equivalents	\$ 30,692	\$ 8,554
Investments	31,029	33,369
Restricted investment in real estate	12,818	12,818
Accounts receivable, net	14,405	9,586
Inventory and supplies, net	949	2,742
Prepaid expenses and other assets	2,014	3,461
Contributions receivable, net	43,692	45,000
Property and equipment, net	8,375	11,710
Interest in perpetual trusts	11,822	10,638
Total assets	\$ 155,796	\$ 137,878
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 21,412	\$ 23,163
Bank line-of-credit	10,000	-
Research grants payable	3,576	13,201
Deferred revenue	6,340	9,017
Refundable advance	8,322	-
Total liabilities	49,650	45,381
Commitments and contingencies		
Net assets		
Without donor restrictions	12,103	(2,075)
With donor restrictions	94,043	94,572
Total net assets	106,146	92,497
Total liabilities and net assets	\$ 155,796	\$ 137,878

See accompanying notes to consolidated financial statements.

American Diabetes Association

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2020 (With Summarized Comparative Totals for 2019)

(in thousands)

December 31,	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total (Summarized)
Revenue:				
Contributions and grants:				
Donations	\$ 27,225	\$ 29,292	\$ 56,517	\$ 58,561
Special events	8,897	558	9,455	22,292
Less: costs of direct benefits to donors	(683)	-	(683)	(3,744)
Bequests	17,641	5,473	23,114	35,133
Federated and nonfederated organizations	2,794	99	2,893	3,455
Total contributions and grants	55,874	35,422	91,296	115,697
Fees from exchange transactions:				
Subscriptions and other income from periodicals	10,431	-	10,431	12,188
Sales of materials	1,329	-	1,329	2,176
Program service fees	6,448	-	6,448	16,707
Other revenue	2,050	-	2,050	2,803
Total fees from exchange transactions	20,258	-	20,258	33,874
Investment return, net	3,862	1,271	5,133	6,392
Insurance recovery	5,613	-	5,613	-
Net assets released from restrictions	37,222	(37,222)	-	-
Total revenue	122,829	(529)	122,300	155,963
Expenses:				
Program activities:				
Research	20,821	-	20,821	36,874
Information	37,502	-	37,502	46,098
Advocacy and public awareness	18,046	-	18,046	24,082
Total program activities	76,369	-	76,369	107,054
Supporting services:				
Management and general	8,321	-	8,321	10,788
Fundraising	23,961	-	23,961	31,721
Total supporting services	32,282	-	32,282	42,509
Total expenses	108,651	-	108,651	149,563
Change in net assets	14,178	(529)	13,649	6,400
Net assets, beginning of year	(2,075)	94,572	92,497	86,097
Net assets, end of year	\$ 12,103	\$ 94,043	\$ 106,146	\$ 92,497

See accompanying notes to consolidated financial statements.

American Diabetes Association

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2020 (With Summarized Comparative Totals for 2019)

(in thousands)

Year ended December 31,	Program activities				Supporting services			2020 Total	2019 Total (Summarized)
	Research	Information	Advocacy and public awareness	Total	Management and general	Fundraising	Total		
Employee costs	\$ 1,664	\$ 14,349	\$ 9,605	\$ 25,618	\$ 4,814	\$ 10,005	\$ 14,819	\$ 40,437	\$ 50,194
Professional fees	950	9,131	3,067	13,148	1,382	3,769	5,151	18,299	18,326
Grants	15,671	1,097	-	16,768	-	-	-	16,768	26,349
Printing and publications	624	5,492	1,354	7,470	120	4,496	4,616	12,086	15,259
Occupancy cost	235	2,175	1,417	3,827	704	1,472	2,176	6,003	8,776
Postage and shipping	52	1,054	589	1,695	39	1,965	2,004	3,699	5,784
Depreciation and amortization	133	1,168	801	2,102	400	834	1,234	3,336	3,678
Miscellaneous	68	880	572	1,520	663	689	1,352	2,872	4,608
Conferences and meetings	1,317	530	80	1,927	1	39	40	1,967	6,585
Data processing	33	666	68	767	1	239	240	1,007	1,249
Telecommunications	34	294	191	519	98	193	291	810	1,391
Equipment rental and maintenance	24	259	188	471	59	169	228	699	883
Supplies	3	243	39	285	18	40	58	343	4,109
Travel	13	164	75	252	22	51	73	325	2,372
	\$ 20,821	\$ 37,502	\$ 18,046	\$ 76,369	\$ 8,321	\$ 23,961	\$ 32,282	\$ 108,651	\$ 149,563

See accompanying notes to consolidated financial statements.

American Diabetes Association

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2020 (with Summarized Comparative Totals for 2019)

(in thousands)

<i>December 31,</i>	2020	2019 Total (Summarized)
Cash flows from operating activities:		
Change in net assets	\$ 13,649	\$ 6,400
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	3,336	3,678
Net unrealized and realized gain on investments	(2,378)	(3,227)
Loss on disposal of property and equipment	96	-
Provisions for doubtful receivables and obsolete inventory	856	1,335
Contributions to third-party perpetual trusts	(692)	(186)
Contributions to restricted endowment	-	(80)
Donated securities	(186)	(916)
(Increase) decrease in:		
Accounts receivable	(4,996)	34
Inventory and supplies	1,793	(475)
Prepaid expenses and other assets	1,447	(476)
Contributions receivable	629	(1,867)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(1,751)	(1,220)
Research grants payable	(9,625)	(10,310)
Refundable advance	8,322	-
Deferred revenues	(2,677)	(775)
Net cash provided by (used in) operating activities	7,823	(8,085)
Cash flows from investing activities:		
Purchases of investments	(47,507)	(47,013)
Sales or maturities of investments	51,733	53,501
Purchase of property and equipment	(97)	(1,565)
Net cash provided by investing activities	4,129	4,923
Cash flows from financing activities:		
Proceeds from bank line-of-credit	10,000	-
Contributions to restricted endowment	-	80
Proceed from donated securities	186	916
Net cash provided by financing activities	10,186	1,182
Net increase (decrease) in cash and cash equivalents	22,138	(2,166)
Cash and cash equivalents, beginning of year	8,554	10,720
Cash and cash equivalents, end of year	\$ 30,692	\$ 8,554
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 156	\$ -

See accompanying notes to consolidated financial statements.

American Diabetes Association

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, 2020, 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 open to examination by taxing authorities for the years ended December 31, 2017 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 as follows:

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.

American Diabetes Association

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 accordance 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.

American Diabetes Association

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 was reported at the fair value at the time of the donation which established historical cost. The restricted investment in real estate 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 net investment return in the consolidated statement of activities.

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 20), 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 0.8% to 3.0%. Accretion 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.

American Diabetes Association

Notes to the Consolidated Financial Statements

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 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 \$24,716,000 and \$24,267,000 are reported on the consolidated statement of financial position as of December 31, 2020 and 2019, 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 2020 and 2019 was 1.3% and 3.0%, respectively.

Amounts payable to beneficiaries, gift annuities payable, and pooled income fund liabilities of approximately \$681,000 and \$817,000 are reported as accrued liabilities in the consolidated statement of financial position as of December 31, 2020 and 2019, respectively.

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.

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.

American Diabetes Association

Notes to the Consolidated Financial Statements

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

American Diabetes Association

Notes to the Consolidated Financial Statements

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. These are considered to be unconditional and the liability and related expenses are recorded when the recipients are notified of their annual award amount. 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 14, 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, of activities, and of functional expenses include certain summarized comparative information for the year ended December 31, 2019. Such information does not include sufficient detail to constitute a presentation in accordance 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, 2019, from which the summarized information was derived.

American Diabetes Association

Notes to the Consolidated Financial Statements

Recently Adopted Authoritative Guidance

In June 2018, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU assists in the determination of the nature of the transaction which will then govern the expense recognition methodology and timing of the transaction. The ASU is effective for contributions made by ADA in periods beginning after December 15, 2019. As a resource provider, for contributions granted, ADA adopted this update on a prospective basis for the year ended December 31, 2020. ADA management reviewed existing agreements as of the effective date, as well as new agreements for 2020, and concluded that there were no material changes in grant expense recognition related to contributions granted.

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. The adoption of the new standard did not have any impact to the disclosure of fair value investments in Note 7. ADA has adopted the ASU and there was no effect on the change in net assets reported in 2020 and 2019.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance has been subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10 and 2020-05, the last which deferred the effective date for private companies and not-for-profit organization fiscal years beginning after December 15, 2021. 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 expedient available. ADA is currently evaluating the impact of this ASU on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The ASU applies only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of the reference rate reform. The ASU is effective for ADA as of March 12, 2020 through December 31, 2022. ADA is currently evaluating the impact of this ASU on the consolidated financial statements.

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Notes to the Consolidated Financial Statements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The ASU requires that a nonprofit present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets. Information that shows the contributed nonfinancial assets disaggregated by category will be required to be disclosed. In addition, the ASU requires that for each type of contributed nonfinancial asset the following will be disclosed: (a) policy (if any) on liquidating rather than using the contributed nonfinancial assets, (b) qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period and, if used, a description of how the asset was employed should be included, (c) any donor imposed restrictions related to contributed nonfinancial assets, (d) valuation methods and inputs utilized to determine a fair value measure at initial recognition, and (e) the principal or most advantageous market utilized to calculate fair value if it is a market in which the organization is restricted by the donor from selling or utilizing the contributed nonfinancial assets. The amendments in the ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption of the ASU is permitted. ADA is currently evaluating the impact of this ASU on the consolidated financial statements.

4. Risks and Uncertainties - COVID-19 Pandemic

In January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of ADA will depend on certain developments, including the duration and spread of the outbreak. The ADA's operations are dependent on donations from individuals, foundations, corporations, and government agencies. The outbreak may have a material adverse impact on economic and market conditions, triggering a period of economic slowdown. This situation may lead to a decline in contributions or collections of existing receivables. ADA converted all in-person meetings and events from live to virtual activities. Due to decrease in revenue, ADA also significantly reduce expenses. Depending on the severity and length of the outbreak, this pandemic could present material uncertainty and risk with respect to the ADA's investments including its performance and liquidity. The fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to the ADA, its performance, and its financial results.

In March 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.

American Diabetes Association

Notes to the Consolidated Financial Statements

ADA applied for, and in April 2020 received, funds under the Paycheck Protection Program (PPP) as part of the CARES Act in the amount of \$8,322,000. The application for these funds required 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 required the ADA to take into account their current business activity and their ability to access other sources of liquidity sufficient to support ongoing operations in a manner that was not significantly detrimental to the business. The receipt of these funds, and the recognition of the advance attendant to these funds, was dependent on the ADA having initially qualified for the funding and qualifying for the forgiveness of such funding based on their future adherence to the forgiveness criteria.

In February 2021, ADA applied for and received additional funding of \$2,000,000 pursuant to the Paycheck Protection Program.

5. 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. ADA's policy is to manage its financial assets and budget to meet its general expenditure needs.

The following is a reconciliation of ADA's financial assets as of December 31, 2020 and 2019 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>	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 30,692	\$ 8,554
Investments	31,029	33,369
Accounts receivable, net	14,405	9,586
Contributions receivable, net	43,692	45,000
Interest in perpetual trusts	11,822	10,638
Total financial assets	131,640	107,147
Adjustments for amounts not available for general expenditures within one year:		
Perpetual and term endowments	(22,169)	(20,971)
Accounts receivable due after one year, net	(7,242)	(7,264)
Contributions receivable due after one year, net	(18,379)	(16,602)
Split interest obligations	(681)	(817)
Donor restricted net assets that are not expected to be spent within one year	(14,023)	(15,205)
	\$ 69,146	\$ 46,288

American Diabetes Association

Notes to the Consolidated Financial Statements

6. Investments

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

	2020	2019
U.S. government securities	\$ 7,421	\$ 11,599
Fixed-income mutual funds	8,197	7,106
Corporate equities	6,095	5,820
Equity mutual funds	5,137	4,389
Fixed-income bonds	3,670	4,003
Money market funds	505	448
Certificates of deposit	4	4
Total investments	\$ 31,029	\$ 33,369

Investments as of December 31, 2020 and 2019 include gift annuity investments of approximately \$1,231,000 and \$3,207,000, respectively, and the fair value of gift annuity obligations under those agreements was approximately \$681,000 and \$817,000, 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.

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

<i>Years ended December 31,</i>	2020	2019
Property rental income, net	\$ 1,627	\$ 1,816
Net realized and unrealized gains	2,378	3,227
Interest and dividends	1,325	1,552
Investment fees	(197)	(203)
Total investment return, net	\$ 5,133	\$ 6,392

American Diabetes Association

Notes to the Consolidated Financial Statements

7. 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.

Accounting Standards Codification (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, 2020			
	Total	Level 1	Level 2	Level 3
Financial Assets:				
Investments				
Fixed income securities:				
U.S. government securities	\$ 7,421	\$ -	\$ 7,421	-
Fixed Income-bonds	3,670	-	3,670	-
	<u>11,091</u>	<u>-</u>	<u>11,091</u>	<u>-</u>
Corporate equities	6,095	6,095	-	-
Mutual funds and others:				
Fixed-income mutual funds	8,197	8,197	-	-
Equity mutual funds	5,137	5,137	-	-
Money market funds	505	505	-	-
Total mutual funds and others	<u>13,839</u>	<u>13,839</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>31,025</u>	<u>19,934</u>	<u>11,091</u>	<u>-</u>
Certificates of deposits	4			
Total investments	<u>\$ 31,029</u>			
Interest in perpetual trusts (a)	\$ 11,822	\$ -	\$ -	11,822
Funds held in remainder trusts (b)	11,664	-	-	11,664
Total fair value of other assets	<u>\$ 23,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>23,486</u>
Financial liabilities:				
Split-interest obligations (c)	\$ 681	\$ -	\$ -	681
Total fair value of liabilities	<u>\$ 681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>681</u>

American Diabetes Association

Notes to the Consolidated Financial Statements

<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	-	-
Total mutual funds and others	11,943	11,943	-	-
Total investments at fair value	33,365	17,763	15,602	-
Certificates of deposit	4			
Total investments	\$ 33,369			
Interest in perpetual trusts (a)	\$ 10,638	\$ -	\$ -	10,638
Funds held in remainder trusts (b)	10,421	-	-	10,421
Total fair value of other assets	\$ 21,059	\$ -	\$ -	21,059
Financial liabilities:				
Split-interest obligations (c)	\$ 817	\$ -	\$ -	817
Total fair value of liabilities	\$ 817	\$ -	\$ -	817

(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.

American Diabetes Association

Notes to the Consolidated Financial Statements

There were no transfers of assets between Level 1, 2 or 3 classification for the years ended December 31, 2020 and 2019.

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, 2018	\$ 9,687	\$ 7,312
Contributions	186	1,719
Investment gains	765	1,694
Distributions	-	(304)
Balance, December 31, 2019	10,638	10,421
Contributions	692	627
Investment gains	492	1,347
Distributions	-	(731)
Balance, December 31, 2020	\$ 11,822	\$ 11,664

8. Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts of approximately \$1,128,000 and \$1,215,000 as of December 31, 2020 and 2019, respectively. Of the allowance amount, \$663,000 and \$638,000 as of December 31, 2020 and 2019, respectively, relates to the land rental (see Note 20).

9. Contributions Receivable

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

	2020	2019
Within one year	\$ 26,322	\$ 30,651
One to five years	6,599	6,083
More than five years	256	340
	33,177	37,074
Less:		
Allowance for doubtful accounts	(1,009)	(2,253)
Present value discount	(140)	(242)
Subtotal	32,028	34,579
Funds held in remainder trusts	11,664	10,421
Contributions receivable, net	\$ 43,692	\$ 45,000

American Diabetes Association

Notes to the Consolidated Financial Statements

10. Property and Equipment

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

	2020	2019
Land	\$ 4	\$ 4
Leasehold improvements	5,885	6,335
Software	9,930	22,276
Furniture, fixtures and equipment	12,239	20,683
Total property and equipment	28,058	49,298
Less: accumulated depreciation and amortization	(19,683)	(37,588)
Property and equipment, net	\$ 8,375	\$ 11,710

Depreciation and amortization expense on property and equipment totaled \$3,336,000 and \$3,678,000 for the years ended December 31, 2020 and 2019, respectively.

11. 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>	2020	2019
Subject to expenditure for specified purpose and time:		
Research	\$ 14,820	\$ 21,347
Information	28,588	19,165
Advocacy	672	1,194
Sponsorship for fundraising activities	743	1,373
Future periods	14,233	17,403
Total subject to expenditure for specified purpose and time	59,056	60,482
Endowments and perpetual trusts:		
Research	4,667	4,552
Information	8,073	7,914
Advocacy	214	218
General operations of ADA	22,033	21,406
Total endowments and perpetual trusts	34,987	34,090
Total net assets with donor restrictions	\$ 94,043	\$ 94,572

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>	2020	2019
Satisfaction of purpose and time restrictions:		
Research	\$ 11,049	\$ 13,444
Information	13,190	17,328
Advocacy	4,562	4,932
Sponsorship for fundraising activities	6,660	6,006
Future periods	781	147
Total satisfaction of purpose and time restrictions	36,242	41,857
Restricted purpose spending rate distribution:		
Research	147	60
Information	625	244
Advocacy	19	17
General operations of ADA	189	76
Total restricted purpose spending rate distribution	980	397
Total release	\$ 37,222	\$ 42,254

12. 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 4.0% of the endowments' market value over a rolling five-year average. The long-term return of 7.5% and a spending rate of 4.0% 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, 2020 and 2019, there were no underwater funds.

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>	2020	2019
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donors:	\$ 22,801	\$ 22,801
Accumulated investment gains	364	651
Total endowment funds	\$ 23,165	\$ 23,452

American Diabetes Association

Notes to the Consolidated Financial Statements

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2018	\$ -	\$ 22,635	\$ 22,635
Investment return, net			
Investment income	1,816	945	2,761
Net depreciation	-	189	189
Contributions	-	80	80
Appropriation for expenditure	(1,816)	(397)	(2,213)
Endowment net assets, December 31, 2019	-	23,452	23,452
Investment return, net			
Investment income	1,627	237	1,864
Net appreciation	-	456	456
Contributions	-	-	-
Appropriation for expenditure	(1,627)	(980)	(2,607)
Endowment net assets, December 31, 2020	\$ -	\$ 23,165	\$ 23,165

13. 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 \$588,000 and \$3,481,000 and are included in donations in the accompany consolidated statement of activities and changes in net assets during the years ended December 31, 2020 and 2019, 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 are included in donations in the accompany consolidated statement of activities and changes in net assets for the year ended December 31, 2019. There were no such contributions of supplies recognized during the year ended December 31, 2020.

American Diabetes Association

Notes to the Consolidated Financial Statements

14. 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>	2020	2019
Advocacy and public awareness	\$ 3,184	\$ 4,765
Management and general	213	293
Fundraising	9,819	13,616
Total joint costs	\$ 13,216	\$ 18,674

15. 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, 2020 and 2019, was approximately \$549,000 and \$1,496,000, respectively

16. 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 \$6,326,000 and \$7,200,000 in 2020 and 2019, respectively.

The liability as of December 31, 2020 and 2019 was approximately \$343,000 and \$416,000, respectively, and is included in accounts payable and accrued liabilities in the consolidated statement of financial position. Benefit expense under this plan was approximately \$3,766,000 and \$5,083,000 for the years ended December 31, 2020 and 2019, respectively. The benefit expense includes claims paid and changes to the reserve for future claims.

17. Bank Line-of- Credit

On November 28, 2018, the PTHC obtained a revolving line-of-credit with a bank. The line-of-credit bears interest at the rate of LIBOR plus 2.5% (2.6% as of December 31, 2020), is secured by real property of PTHC and is guaranteed by ADA. The line-of-credit expires, if not renewal, on November 24, 2023. In March 2020, ADA drew \$10,000,000 on the available line-of-credit. As of December 31, 2020, the outstanding balance on the line-of-credit was \$10,000,000. There was no outstanding balance as of December 31, 2019. The fees for the years ended December 31, 2020 and 2019 were approximately \$29,000 and \$25,000, respectively.

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, 2020 and 2019.

18. Paycheck Protection Program Loan

On April 17, 2020, ADA received funds totaling \$8,322,000 pursuant to the Paycheck Protection Program (PPP) administered by the Small Business Administration (the SBA) under the CARES Act. PPP funds may be forgivable after a period of time as long as ADA uses the proceeds for eligible purposes, including payroll costs, group health care benefits, rent and utilities. ADA considers the funds to be a grant that is expected to be forgiven, and accordingly has classified the funds as a refundable advance in the accompanying consolidated statements of financial position. A contribution will be recorded if and when forgiveness occurs. While ADA believes that its use of these funds meets the criteria for forgiveness, there is no assurance that the funds will be forgiven, in whole or in part. Any portion of proceeds received under PPP that is not forgiven by the SBA must be repaid. ADA filed a forgiveness application on December 28, 2020. Through the date of the consolidated financial statements, ADA has not received formal forgiveness from the SBA.

19. 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, 2020, the future minimum lease payments under operating leases with noncancelable lease terms in excess of one year were (in thousands):

Years ending December 31,

2021	\$	4,738
2022		4,227
2023		3,661
2024		3,651
2025		3,724
Thereafter		17,712
	\$	37,713

Rent expense totaled approximately \$5,229,000 and \$5,644,000 for the years ended December 31, 2020 and 2019, respectively.

American Diabetes Association

Notes to the Consolidated Financial Statements

20. 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, 2020, the future minimum lease payments due to ADA under these leases were (in thousands):

Years ending December 31,

2021	\$	1,240
2022		1,225
2023		1,268
2024		1,323
2025		1,323
Thereafter		36,798
	\$	43,177

The accumulated difference between the rental income recognized and the straight-line value of the leases was approximately \$7,885,000 and \$7,882,000 as of December 31, 2020 and 2019, 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 \$663,000 and \$638,000 as of December 31, 2020 and 2019, respectively.

21. Subsequent Events

ADA has evaluated subsequent events through May 27, 2021 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 as described in Note 4.

Supplemental Schedules



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Independent Auditor's Report on the Supplemental Schedules

Board of Directors
American Diabetes Association
Arlington, Virginia

Our audit of the consolidated financial statements of the American Diabetes Association included in the preceding section of this report was conducted for the purpose of forming an opinion on those consolidated statements as a whole. The supplemental schedules presented in the following section of this report are presented for purposes of additional analysis and are not a required part of the consolidated 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 statements 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

May 27, 2021

American Diabetes Association

Consolidating Statements of Financial Position

(in thousands)

<i>December 31, 2020</i>	American Diabetes Association	Research Foundation	Property Title Holding Corp	Eliminations	Total
Assets					
Cash and cash equivalents	\$ 30,421	\$ 271	\$ -	\$ -	\$ 30,692
Investments	31,029	-	-	-	31,029
Restricted investment in real estate	-	-	12,818	-	12,818
Intercompany receivables	-	17,271	3,336	(20,607)	-
Accounts receivable, net	7,023	-	7,382	-	14,405
Inventory and supplies, net	949	-	-	-	949
Prepaid expenses and other assets	2,014	-	-	-	2,014
Contributions receivable, net	42,784	908	-	-	43,692
Property and equipment, net	8,375	-	-	-	8,375
Interest in perpetual trusts	11,726	96	-	-	11,822
Total assets	\$ 134,321	\$ 18,546	\$ 23,536	\$ (20,607)	\$ 155,796
Liabilities and Net Assets					
Accounts payable and accrued liabilities	\$ 21,323	\$ -	\$ 89	\$ -	\$ 21,412
Bank line-of-credit	-	-	10,000	-	10,000
Research grants payable	-	3,576	-	-	3,576
Intercompany payables	20,607	-	-	(20,607)	-
Deferred revenue	5,711	-	629	-	6,340
Refundable advance	8,322	-	-	-	8,322
Total liabilities	55,963	3,576	10,718	(20,607)	49,650
Net assets:					
Without donor restrictions	12,103	-	-	-	12,103
With donor restrictions	66,255	14,970	12,818	-	94,043
Total net assets	78,358	14,970	12,818	-	106,146
Total liabilities and net assets	\$ 134,321	\$ 18,546	\$ 23,536	\$ (20,607)	\$ 155,796

American Diabetes Association

Consolidating Statement of Activities and Change in Net Assets

(in thousands)

<i>Year ended December 31, 2020</i>	American Diabetes Association	Research Foundation	Property Title Holding Corp	Eliminations	Total
Revenue:					
Contributions and grants:					
Donations	\$ 54,966	\$ 1,551	\$ -	\$ -	\$ 56,517
Special events	9,455	-	-	-	9,455
Less: costs of direct benefits to donors	(683)	-	-	-	(683)
Bequests	22,113	1,001	-	-	23,114
Federated and nonfederated organizations	2,804	89	-	-	2,893
Total contributions and grants	88,655	2,641	-	-	91,296
Fees from exchange transactions:					
Subscriptions and periodicals	10,431	-	-	-	10,431
Sale of materials	1,329	-	-	-	1,329
Program service fees	6,448	-	-	-	6,448
Miscellaneous revenues	2,050	-	-	-	2,050
Total fees from exchange transactions	20,258	-	-	-	20,258
Investment return, net	3,498	8	1,627	-	5,133
Insurance recovery	5,613	-	-	-	5,613
Intercompany revenues	2,144	7,307	185	(9,636)	-
Total revenue	120,168	9,956	1,812	(9,636)	122,300
Expenses:					
Program activities:					
Research	5,068	15,753	-	-	20,821
Information	37,502	-	-	-	37,502
Advocacy and public awareness	18,046	-	-	-	18,046
Total program activities	60,616	15,753	-	-	76,369
Management and general	8,321	-	-	-	8,321
Fundraising	23,961	-	-	-	23,961
Intercompany expenses	7,307	517	1,812	(9,636)	-
Total expenses	100,205	16,270	1,812	(9,636)	108,651
Change in net assets	19,963	(6,314)	-	-	13,649
Net assets, beginning of year	58,395	21,284	12,818	-	92,497
Net assets, end of year	\$ 78,358	\$ 14,970	\$ 12,818	\$ -	\$ 106,146