
American Academy of Dermatology, Inc.
and American Academy of
Dermatology Association, Inc.

**Combined Financial Report
with Additional Information
December 31, 2024**

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

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Independent Auditor's Report

To the Board of Directors
American Academy of Dermatology, Inc. and
American Academy of Dermatology Association, Inc.

Opinion

We have audited the combined financial statements of American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc. (the "Academy"), which comprise the combined statement of financial position as of December 31, 2024 and 2023 and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Academy as of December 31, 2024 and 2023 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Audits of the Combined Financial Statements* section of our report. We are required to be independent of the Academy and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audits of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS 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 combined financial statements.

To the Board of Directors
American Academy of Dermatology, Inc. and
American Academy of Dermatology Association, Inc.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the combined 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 combined financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Plante & Moreau, PLLC

July 8, 2025

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Statement of Financial Position

December 31, 2024 and 2023

	2024	2023
Assets		
Cash	\$ 6,052,136	\$ 10,076,574
Investments (Note 3)	76,217,580	73,093,551
Receivables - Net of allowances:		
Trade receivables (Note 5)	4,215,235	5,781,274
Pledges receivable (Note 6)	4,569,729	2,297,130
Inventory - Net	158,913	204,603
Prepaid expenses and other assets	4,472,722	3,466,744
Right-of-use operating lease assets	9,437,069	10,480,310
Property and equipment - Net (Note 7)	6,106,823	4,145,713
	<u>\$ 111,230,207</u>	<u>\$ 109,545,899</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and other	\$ 1,367,374	\$ 1,663,242
Accrued retirement costs	1,453,210	1,252,312
Accrued salaries	1,645,465	1,714,917
Accrued vacation leave	945,417	878,267
Deferred revenue - Annual national meeting	13,654,253	13,195,523
Deferred revenue - Subscriptions and other	4,985,059	4,874,166
Deferred revenue - Membership dues	10,058,875	9,494,498
Lease liabilities - Operating (Note 14)	13,102,212	14,395,136
Loan commitment (Note 8)	1,636,364	2,045,455
	<u>48,848,229</u>	<u>49,513,516</u>
Total liabilities		
Net Assets (Note 9)		
Without donor restrictions	49,515,420	46,469,741
With donor restrictions	12,866,558	13,562,642
	<u>62,381,978</u>	<u>60,032,383</u>
Total net assets		
Total liabilities and net assets	<u>\$ 111,230,207</u>	<u>\$ 109,545,899</u>

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Statement of Activities and Changes in Net Assets

Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Membership dues	\$ 12,882,914	\$ -	\$ 12,882,914	\$ 12,063,445	\$ -	\$ 12,063,445
Meetings	28,251,411	-	28,251,411	23,920,509	-	23,920,509
JAAD and other royalties	10,218,753	-	10,218,753	9,587,669	-	9,587,669
Educational product sales	2,399,759	-	2,399,759	2,355,773	-	2,355,773
Other	547,826	-	547,826	1,771,685	-	1,771,685
Grants and contributions	1,276,490	10,941,997	12,218,487	2,680,251	7,807,800	10,488,051
Contributed nonfinancial assets	227,801	-	227,801	191,056	-	191,056
Investment income - Net	4,666,254	314,210	4,980,464	6,090,086	473,768	6,563,854
Net assets released from restrictions	11,952,291	(11,952,291)	-	8,492,639	(8,492,639)	-
Total revenue, gains, and other support	72,423,499	(696,084)	71,727,415	67,153,113	(211,071)	66,942,042
Expenses						
Program services:						
Educational	23,927,930	-	23,927,930	21,478,311	-	21,478,311
Communications	5,926,549	-	5,926,549	5,759,321	-	5,759,321
Advocacy & Policy, Science & Quality, and Practice Management	14,487,908	-	14,487,908	12,303,469	-	12,303,469
Strategy analytics & alliances	2,692,224	-	2,692,224	2,703,492	-	2,703,492
Total program services	47,034,611	-	47,034,611	42,244,593	-	42,244,593
Member services and administration	19,677,675	-	19,677,675	17,967,085	-	17,967,085
Fundraising	2,665,534	-	2,665,534	2,462,858	-	2,462,858
Total expenses	69,377,820	-	69,377,820	62,674,536	-	62,674,536
Increase (Decrease) in Net Assets	3,045,679	(696,084)	2,349,595	4,478,577	(211,071)	4,267,506
Net Assets - Beginning of year	46,469,741	13,562,642	60,032,383	41,991,164	13,773,713	55,764,877
Net Assets - End of year	\$ 49,515,420	\$ 12,866,558	\$ 62,381,978	\$ 46,469,741	\$ 13,562,642	\$ 60,032,383

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Statement of Functional Expenses

Year Ended December 31, 2024

	Program Services					Support Services			
	Educational	Communications	Advocacy & Policy, Science & Quality, and Practice Management	Strategy Analytics & Alliances	Total	Member Services and Administration	Member Services	Fundraising	Total
Grants and other assistance	\$ 212,594	\$ -	\$ 83,141	\$ 196,500	\$ 492,235	\$ -	\$ 789,000	\$ 90,371	\$ 1,371,606
Salaries and wages	8,259,709	2,988,730	5,641,226	1,238,793	18,128,458	7,357,446	1,621,781	478,689	27,586,374
Employee benefits	2,288,140	814,872	1,464,755	318,381	4,886,148	1,845,171	483,520	126,797	7,341,636
Professional services	1,459,865	889,320	2,494,014	66,445	4,909,644	302,444	785,076	352,324	6,349,488
Legal fees	1,975	-	53,811	-	55,786	340,302	-	-	396,088
Accounting fees	-	-	-	-	-	145,264	-	-	145,264
Advertising and promotion	-	-	-	-	-	1,243,508	-	-	1,243,508
Office expenses	843,829	426,561	68,197	31,617	1,370,204	316,687	72,488	81,181	1,840,560
Information technology	846,421	248,364	2,354,185	79,476	3,528,446	546,400	168,887	49,673	4,293,406
Occupancy	234,576	84,991	149,585	27,197	496,349	187,317	57,794	16,998	758,458
Travel	821,239	95,177	598,899	218,735	1,734,050	400,056	147,392	170,670	2,452,168
Conferences, conventions, and meetings	7,238,522	84,402	669,823	386,662	8,379,409	360,696	365,108	1,225,312	10,330,525
Interest	18,579	6,731	11,847	2,154	39,311	45,142	4,577	1,346	90,376
Insurance	381,063	-	3,580	-	384,643	268,283	-	17,356	670,282
Training and development	55,264	12,683	201,118	15,087	284,152	159,974	530,226	602	974,954
Depreciation and amortization	303,903	110,110	193,793	35,235	643,041	242,241	74,875	22,022	982,179
Bad debt expense	-	-	-	-	-	149,070	-	-	149,070
UBIT expense	244,260	-	-	-	244,260	-	79,529	-	323,789
Other	34,521	3,645	216,639	24,434	279,239	71,237	979	-	351,455
Cost of goods sold	239,212	-	-	-	239,212	-	-	-	239,212
Lease expense	444,258	160,963	283,295	51,508	940,024	354,119	109,455	32,193	1,435,791
Lease amortization expense	-	-	-	-	-	51,631	-	-	51,631
Total functional expenses	\$ 23,927,930	\$ 5,926,549	\$ 14,487,908	\$ 2,692,224	\$ 47,034,611	\$ 14,386,988	\$ 5,290,687	\$ 2,665,534	\$ 69,377,820

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services					Support Services			
	Educational	Communications	Advocacy & Policy, Science & Quality, and Practice Management	Strategy Analytics & Alliances	Total	Member Services and Administration	Member Services	Fundraising	Total
Grants and other assistance	\$ 205,225	\$ -	\$ 685,591	\$ 259,900	\$ 1,150,716	\$ 55,000	\$ 769,000	\$ 100,000	\$ 2,074,716
Salaries and wages	7,586,705	2,890,091	5,326,701	1,066,474	16,869,971	7,036,502	1,471,450	557,937	25,935,860
Employee benefits	2,064,182	778,194	1,358,645	285,257	4,486,278	1,684,188	442,618	134,565	6,747,649
Professional services	1,391,032	901,574	1,108,159	147,104	3,547,869	329,583	557,145	268,392	4,702,989
Legal fees	156,933	525	55,042	-	212,500	339,492	-	-	551,992
Accounting fees	-	-	-	-	-	128,721	-	-	128,721
Advertising and promotion	-	-	-	-	-	1,077,444	-	-	1,077,444
Office expenses	851,683	432,037	62,324	42,652	1,388,696	167,680	68,094	96,172	1,720,642
Information technology	704,605	228,803	1,387,411	76,268	2,397,087	489,468	143,002	52,434	3,081,991
Occupancy	276,337	96,819	165,399	32,273	570,828	205,740	60,512	22,188	859,268
Travel	602,946	73,141	618,268	260,038	1,554,393	356,192	90,589	139,383	2,140,557
Conferences, conventions, and meetings	6,088,204	90,148	719,454	418,714	7,316,520	344,697	278,789	1,022,079	8,962,085
Interest	23,470	8,223	14,047	2,741	48,481	48,057	5,139	1,884	103,561
Insurance	343,154	-	3,285	-	346,439	272,479	-	9,765	628,683
Training and development	44,380	10,301	245,719	8,117	308,517	88,939	507,967	385	905,808
Depreciation and amortization	362,941	127,162	217,235	42,387	749,725	270,219	79,476	29,139	1,128,559
Bad debt expense	-	-	-	-	-	86,224	-	-	86,224
UBIT expense	163,040	-	-	-	163,040	-	39,935	-	202,975
Other	29,938	4,345	134,678	22,248	191,209	68,796	791	1,503	262,299
Cost of goods sold	246,866	-	-	-	246,866	-	-	-	246,866
Lease expense	336,670	117,958	201,511	39,319	695,458	250,660	73,723	27,032	1,046,873
Lease amortization expense	-	-	-	-	-	78,774	-	-	78,774
Total functional expenses	\$ 21,478,311	\$ 5,759,321	\$ 12,303,469	\$ 2,703,492	\$ 42,244,593	\$ 13,378,855	\$ 4,588,230	\$ 2,462,858	\$ 62,674,536

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Statement of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,349,595	\$ 4,267,506
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	982,179	1,128,559
Gain on disposal of property and equipment	(1,798)	(2,929)
Bad debt expense	149,070	-
Net realized and unrealized gain on investments	(2,487,015)	(4,563,778)
Amortization of operating right-of-use asset	1,043,241	1,172,367
Changes in operating assets and liabilities that provided (used) cash:		
Trade receivables	1,416,969	368,817
Inventories	45,690	22,106
Pledges receivable	(2,272,599)	389,922
Prepaid expenses and other assets	(1,005,978)	(644,260)
Accounts payable and other	(291,843)	(465,099)
Accrued liabilities	198,596	410,696
Deferred revenue	1,134,000	4,744,808
Operating lease liability	(1,292,924)	(1,809,991)
Net cash (used in) provided by operating activities	(32,817)	5,018,724
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,945,516)	(331,555)
Proceeds from disposition of property and equipment	4,294	4,153
Purchases of investments	(35,286,423)	(23,779,063)
Proceeds from sales and maturities of investments	34,645,115	23,929,913
Net cash used in investing activities	(3,582,530)	(176,552)
Cash Flows Used in Financing Activities - Payments on loan commitments	(409,091)	(409,091)
Net (Decrease) Increase in Cash	(4,024,438)	4,433,081
Cash - Beginning of year	10,076,574	5,643,493
Cash - End of year	\$ 6,052,136	\$ 10,076,574
Supplemental Cash Flow Information - Cash paid for interest	\$ 68,010	\$ 73,478
Significant Noncash Transactions - Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 2,651,785

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 1 - Nature of Business

The American Academy of Dermatology, Inc. (AAD) was incorporated in 1938 as a nonprofit corporation under the laws of the State of Minnesota to promote the highest possible standards of clinical practice, education, and research in dermatology.

The American Academy of Dermatology Association, Inc. (AADA) was incorporated in 2000 as a nonprofit corporation under the laws of the State of Minnesota to promote educational and professional association interests, including, but not limited to, the promotion of the field of dermatology. AADA is not a subsidiary of the Academy; rather, it maintains accounts that are under common management. Interorganizational transactions have been eliminated for combined presentation purposes.

For combined financial statement purposes, the combined entity of AAD and AADA is collectively referred to as the "Academy."

Note 2 - Significant Accounting Policies

Basis of Presentation

The combined financial statements of the Academy have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the combined financial statements. Actual results could differ from those estimates.

Cash

Cash balances are maintained at a financial institution that at times may exceed federally insured limits. The Academy has not experienced any losses in such accounts.

Investments

Investments are recorded at fair value in the combined statement of financial position and are composed of money market funds, corporate stock, corporate bonds, international bonds, mutual funds, governmental and agency bonds, and mortgage- and asset-backed bonds. Gains and losses are reported as increases or decreases in net assets and are reflected as changes in net assets with donor restrictions and net assets without donor restrictions, as appropriate.

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

Trade Receivables

The Academy's trade accounts receivable balance consists of amounts due from its customers. Trade accounts receivable are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The Academy collectively evaluates trade receivables to determine the allowance for credit losses based on historical experience with the payor, current economic conditions, and future economic indicators.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

The Academy operates in the dermatological health care industry and its accounts receivable are derived from organizations across a broad range of industries from large medical corporations to private practitioners. Based on the broad range of customers served, the risk characteristics are primarily assessed at the type of transaction level. For instance, assessment for credit loss is performed over exhibit, product, subscriptions, advertising, and royalty revenue based on the expected loss model disclosed below. Among those revenue streams, one overarching risk characteristic is not prevalent. The Academy calculates the allowance using an expected loss model that considers the Academy's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Academy considers past historical collection trends, number of days past due when receivables are collected, and future micro- and macroeconomic considerations when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. The allowance for credit losses on accounts receivable balances was \$125,050 and \$66,063 at December 31, 2024 and 2023, respectively.

Pledges Receivable

Pledges receivable are composed primarily of corporate grants, which support academy activities. Contributions expected to be received over more than one year are recorded by the Academy as pledges receivable at fair value, as measured by the present value of future cash flows. The Academy has not recorded a provision for doubtful pledges since it is the opinion of management that those receivables are collectible in full.

Inventory

Inventory is valued at average cost. The inventory consists primarily of educational finished good items, such as pamphlets and practice management materials. Inventory is stated net of an allowance for obsolete inventory of \$65,605 and \$40,000 as of December 31, 2024 and 2023, respectively.

Prepaid Expenses and Other Assets

Prepaid expenses are recognized as assets when payment is made in advance of the service period and are recognized as an expense in future periods. Prepaid expenses and other assets consist primarily of prepaid insurance, prepaid technology expenses, and deposits and payments made in advance for the annual meeting that occurs subsequently to December 31, 2024 and 2023.

Property and Equipment

Property and equipment are recorded at cost. Assets are depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of their estimated useful lives or terms of the leases. Costs of maintenance and repairs are charged to expense when incurred.

Classification of Net Assets

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

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Academy.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Net Assets with Donor Restrictions

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

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributed Nonfinancial Assets

Certain contributed nonfinancial assets are recognized as revenue in the combined statement of activities and changes in net assets. The estimated fair value of contributed nonfinancial assets is described in Note 15.

Revenue Recognition

The Academy derives its revenue primarily from membership dues, meetings, *Journal of the American Academy of Dermatology* (JAAD) and other royalties, grants and contributions, and educational product sales. Meetings represent amounts earned for exhibit booth space sales and registration fees for admission and educational seminars. JAAD and other royalties represent amounts earned from the publisher for rights to reproduce, sell, and distribute publications and materials.

The following revenue streams are included in the revenue standard, *Revenue from Contracts with Customers* (Topic 606):

- Membership dues
- Meetings - Exhibits and registration
- JAAD and other royalties
- Educational product sales

Performance Obligations

The following explains the performance obligations related to each revenue stream and how those are recognized:

Membership Dues

The Academy generates revenue from written agreements allowing members access to JAAD, dermatologic education, an advocate in the house of medicine, and resources to support their practice and career. The Academy satisfies its performance obligation over time, as services are rendered, because members typically obtain the benefits of such services as the services are performed. Membership dues are billed annually, and revenue is recognized over the term of the membership. As the Academy bills customers and collects cash prior to the satisfaction of the performance obligation, the Academy recognizes deferred revenue.

Meetings - Exhibits and Registration

The Academy generates revenue from written agreements providing a space for the exhibitor, primarily corporate entities, to display their product/service in the technical exhibits area of the annual and summer meetings. The Academy also generates revenue from meeting registration, allowing members and individuals to attend various educational sessions, to attend the plenary sessions, to visit the Exhibit Hall, and multiple opportunities for networking. The Academy's obligation is to hold the event; therefore, the Academy recognizes exhibit and registration revenue at the time the events are held. Funds received ahead of the meeting are recorded as deferred revenue until the time of the meeting. In the event of cancellation, registrations will be refunded.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

JAAD and Other Royalties

The Academy generates revenue by charging for access to its logo, membership lists (Affinity Programs), meeting content, and educational content for both members and the general public. The Academy also generates royalty revenue from its publication of JAAD. Revenue is recognized once its performance obligation is met and the items are sold by the partner entities.

Educational Product Sales

The Academy generates revenue from written or implied agreements for a specific exchange of products that are geared towards both medical professionals and the public. This revenue is recognized upon delivery of the products, and refunds are not provided.

In some situations, the Academy collects cash prior to the satisfaction of the performance obligation, which results in the Academy recognizing contract liabilities. Total contract liabilities were \$28,698,187 and \$27,564,187 as of December 31, 2024 and 2023, respectively. Total contract liabilities as of January 1, 2023 were \$22,819,379.

Grant and contribution revenue is recognized when pledged. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met. Contributions and other assets, including unconditional promises to give in the future, are reported at fair value. As of December 31, 2024 and 2023, the Academy is eligible to receive and recognize approximately \$1,680,000 and \$2,350,000, respectively, of these conditional contributions upon the occurrence of meeting future barriers, including holding various meeting and events.

Total receivables related to exchange revenue were \$4,215,235 and \$5,781,274 as of December 31, 2024 and 2023, respectively. Total receivables related to exchange revenue were \$6,150,091 as of January 1, 2023.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the combined statement of activities and changes in net assets. Costs are charged to program services and support services on an actual basis when available. In addition, certain costs have been allocated among the program and support services functions based on various allocation methods and estimates. Allocations for depreciation, technology, and occupancy expenses are based on each function's personnel headcount as a percentage of the total personnel headcount. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Leases

The Academy has operating leases for office space and finance leases for office equipment. The Academy recognizes expense for operating and finance leases on a straight-line basis over the lease terms. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Academy elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for operating leases for office space.

The Academy has operating leases for copiers with a lease term of one year or less that the Academy elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

AAD is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). AADA is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(6). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Academy and recognize a tax liability if the Academy has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities.

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The combined financial statements and related disclosures include evaluation of events up through and including July 8, 2025, which is the date the combined financial statements were available to be issued.

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 3 - Investments

The cost and related fair values for investments are as follows:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
AAD:				
Without donor restrictions:				
Money market funds	\$ 1,698,077	\$ 1,698,077	\$ 1,082,841	\$ 1,082,842
Corporate stock	702,483	1,090,339	880,084	1,162,266
Corporate bonds	1,321,649	1,219,947	1,471,017	1,326,956
Mutual funds	47,983,844	52,969,059	46,180,259	50,734,952
Government and agency bonds	896,753	729,700	837,697	711,018
Mortgage- and asset-backed bonds	458,720	422,202	386,093	359,546
Total	53,061,526	58,129,324	50,837,991	55,377,580
With donor restrictions:				
Money market funds	(552,167)	(552,167)	(89,289)	(89,289)
Corporate bonds	43,840	39,032	39,378	34,252
Mutual funds	4,351,515	4,574,755	4,470,072	4,571,057
Government and agency bonds	51,865	50,612	12,135	10,978
Mortgage- and asset-backed bonds	13,658	13,271	9,951	9,384
Municipal bonds	-	-	4,961	4,813
Total	3,908,711	4,125,503	4,447,208	4,541,195
Total AAD	56,970,237	62,254,827	55,285,199	59,918,775
AADA - Without donor restrictions:				
Money market funds	323,255	323,255	351,295	351,294
Corporate stock	798,838	1,208,357	870,671	1,146,609
Corporate bonds	5,204,090	4,969,751	5,529,106	5,184,656
International bonds	200,120	197,891	352,811	350,839
Mutual funds	3,704,500	4,160,728	3,531,295	3,793,888
Government and agency bonds	2,282,997	2,081,384	1,417,788	1,260,256
Mortgage- and asset-backed bonds	1,098,960	1,021,387	789,291	720,375
Municipal bond	-	-	393,073	366,859
Total - AADA	13,612,760	13,962,753	13,235,330	13,174,776
Total - Academy	\$ 70,582,997	\$ 76,217,580	\$ 68,520,529	\$ 73,093,551

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 3 - Investments (Continued)

The components of investment income relating to investments and cash for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
AAD:		
Without donor restrictions:		
Interest and dividends	\$ 2,006,497	\$ 1,614,031
Net realized and unrealized gains	1,989,603	3,548,194
Investment expense	(199,087)	(180,008)
Total	3,797,013	4,982,217
With donor restrictions:		
Interest and dividends	158,831	154,814
Net realized and unrealized gains	177,139	339,931
Investment expense	(21,760)	(20,977)
Total	314,210	473,768
Total - AAD	4,111,223	5,455,985
AADA - Without donor restrictions:		
Interest and dividends	623,392	508,128
Net realized and unrealized gains	320,273	667,417
Investment expense	(74,424)	(67,676)
Total - AADA	869,241	1,107,869
Total - Academy	\$ 4,980,464	\$ 6,563,854

Note 4 - Fair Value Measurements

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

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Academy has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability. The Academy currently does not utilize any Level 3 inputs.

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

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 4 - Fair Value Measurements (Continued)

The following tables present information about the Academy's assets and liabilities measured at fair value on a recurring basis at December 31, 2024 and 2023 and the valuation techniques used by the Academy to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at December 31, 2024				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
AAD				
Assets - Investments:				
Fixed income - Mutual funds:				
Short term	\$ 17,318,290	\$ -	\$ -	\$ 17,318,290
Intermediate term	19,757,088	-	-	19,757,088
International	752,774	-	-	752,774
Long term	462,117	-	-	462,117
Equity - Mutual funds:				
Small cap	1,579,350	-	-	1,579,350
Mid cap	1,570,146	-	-	1,570,146
Large cap	10,500,831	-	-	10,500,831
International	6,693,557	-	-	6,693,557
Corporate bonds:				
Short term	-	33,794	-	33,794
Intermediate term	-	1,216,241	-	1,216,241
Long term	-	8,944	-	8,944
Government and agency bonds:				
Short term	-	29,958	-	29,958
Intermediate term	-	750,354	-	750,354
Mortgage- and asset-backed bonds:				
Short term	-	2,941	-	2,941
Intermediate term	-	432,532	-	432,532
Total AAD	58,634,153	2,474,764	-	61,108,917
AADA				
Assets - Investments:				
Fixed income - Mutual funds:				
Short term	74,274	-	-	74,274
Intermediate term	786,771	-	-	786,771
International	467,943	-	-	467,943
Equity - Mutual funds:				
Small cap	156,440	-	-	156,440
Mid cap	126,227	-	-	126,227
Large cap	1,728,229	-	-	1,728,229
International	2,029,202	-	-	2,029,202
International bond - Short term	-	197,891	-	197,891
Corporate bonds:				
Short term	-	1,795,860	-	1,795,860
Intermediate term	-	2,184,718	-	2,184,718
Long term	-	989,173	-	989,173
Government and agency bonds:				
Short term	-	276,124	-	276,124
Intermediate term	-	638,465	-	638,465
Long term	-	1,166,795	-	1,166,795
Mortgage- and asset-backed bonds:				
Short term	-	318,471	-	318,471
Intermediate term	-	326,447	-	326,447
Long term	-	376,468	-	376,468
Total AADA	5,369,086	8,270,412	-	13,639,498
Total assets	\$ 64,003,239	\$ 10,745,176	\$ -	\$ 74,748,415

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 4 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
AAD				
Assets - Investments:				
Fixed income - Mutual funds:				
Short term	\$ 16,274,366	\$ -	\$ -	\$ 16,274,366
Intermediate term	19,369,003	-	-	19,369,003
International	738,620	-	-	738,620
Equity - Mutual funds:				
Small cap	1,745,569	-	-	1,745,569
Mid cap	1,542,514	-	-	1,542,514
Large cap	9,053,490	-	-	9,053,490
International	6,582,447	-	-	6,582,447
Equity - Corporate stock - Large cap	1,162,266	-	-	1,162,266
Municipal bond - Short term	-	4,813	-	4,813
Corporate bonds:				
Short term	-	225,691	-	225,691
Intermediate term	-	957,149	-	957,149
Long term	-	178,368	-	178,368
Government and agency bonds:				
Short term	-	39,346	-	39,346
Intermediate term	-	275,695	-	275,695
Long term	-	406,955	-	406,955
Mortgage- and asset-backed bonds:				
Intermediate term	-	105,571	-	105,571
Long term	-	263,359	-	263,359
Total AAD	56,468,275	2,456,947	-	58,925,222
AADA				
Assets - Investments:				
Fixed income - Mutual funds:				
Short term	360,269	-	-	360,269
Intermediate term	621,839	-	-	621,839
International	441,014	-	-	441,014
Equity - Mutual funds:				
Small cap	216,680	-	-	216,680
Mid cap	125,656	-	-	125,656
Large cap	366,522	-	-	366,522
International	1,661,908	-	-	1,661,908
Equity - Corporate stock - Large cap	1,146,609	-	-	1,146,609
International bond - Short term	-	350,839	-	350,839
Municipal bond - Short term	-	366,859	-	366,859
Corporate bonds:				
Short term	-	891,172	-	891,172
Intermediate term	-	3,871,573	-	3,871,573
Long term	-	421,911	-	421,911
Government and agency bonds:				
Short term	-	19,299	-	19,299
Intermediate term	-	890,575	-	890,575
Long term	-	350,382	-	350,382
Mortgage- and asset-backed bonds:				
Intermediate term	-	320,628	-	320,628
Long term	-	399,747	-	399,747
Total AADA	4,940,497	7,882,985	-	12,823,482
Total assets	\$ 61,408,772	\$ 10,339,932	\$ -	\$ 71,748,704

Not included in the above tables is \$1,145,910 and \$993,552 in money market accounts as of December 31, 2024 and 2023, respectively, for AAD and \$323,255 and \$351,295 in money market accounts as of December 31, 2024 and 2023, respectively, for AADA.

Level 1 Inputs

Fair values of fixed-income mutual funds and equity mutual funds were based on quoted market prices.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 4 - Fair Value Measurements (Continued)

Level 2 Inputs

Estimated fair values of municipal bonds, corporate bonds, government and agency bonds, mortgage- and asset-backed bonds, and international short-term bonds were based on similar investments that are traded on a secondary market.

Note 5 - Trade Receivables

The following is the detail of accounts receivable as of December 31:

	2024	2023
Trade accounts receivable	\$ 4,340,285	\$ 5,847,337
Less allowance for credit losses	125,050	66,063
Total accounts receivable	<u>\$ 4,215,235</u>	<u>\$ 5,781,274</u>

The activity in the allowance for credit losses, which is recorded as a reduction of accounts receivable, is as follows:

	2024	2023
Balance - Beginning of year	\$ 66,063	\$ 12,000
Additions charged to expense	58,987	54,063
Balance - End of year	<u>\$ 125,050</u>	<u>\$ 66,063</u>

Note 6 - Pledges Receivable

Pledges receivable are recorded at the present value of their estimated future cash flows. The Academy discounted contributions due in more than one year using rates between 1.02 and 4.38 percent for the years ended December 31, 2024 and 2023, respectively. Pledges receivable are expected to be collected as follows:

	2024	2023
Amounts due in:		
Less than one year	\$ 2,406,158	\$ 1,209,967
One to five years	2,163,571	1,087,163
Total	<u>\$ 4,569,729</u>	<u>\$ 2,297,130</u>

As of December 31, 2024, there was one individual donor contribution that represented approximately 59 percent of the outstanding pledges receivable balance. The Academy does not have concerns that amounts are not collectible in full.

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 7 - Property and Equipment

Property and equipment are summarized as follows at December 31, 2024:

	AAD	AADA	Combined Total	Depreciable Life - Years
Leasehold improvements	\$ 5,496,043	\$ 1,175,390	\$ 6,671,433	10
Computer equipment and software	5,960,500	297,653	6,258,153	3-8
Machinery and equipment	116,691	-	116,691	5-10
Furniture and fixtures	1,684,242	308,315	1,992,557	5-10
Total cost	13,257,476	1,781,358	15,038,834	
Less accumulated depreciation	7,936,040	995,971	8,932,011	
Net property and equipment	<u>\$ 5,321,436</u>	<u>\$ 785,387</u>	<u>\$ 6,106,823</u>	

Property and equipment are summarized as follows at December 31, 2023:

	AAD	AADA	Combined Total	Depreciable Life - Years
Leasehold improvements	\$ 5,487,855	\$ 1,175,390	\$ 6,663,245	10
Computer equipment and software	3,098,754	297,653	3,396,407	3-8
Machinery and equipment	116,691	-	116,691	5-10
Furniture and equipment	1,684,242	308,315	1,992,557	5-10
Total cost	10,387,542	1,781,358	12,168,900	
Less accumulated depreciation	7,202,583	820,604	8,023,187	
Net property and equipment	<u>\$ 3,184,959</u>	<u>\$ 960,754</u>	<u>\$ 4,145,713</u>	

Depreciation and amortization expense for 2024 and 2023 was \$982,179 and \$1,128,559, respectively.

Note 8 - Loan Commitment

Long-term debt at December 31, 2024 and 2023 is \$1,636,364 and \$2,045,455, respectively, and consists of a term loan with quarterly installments of \$102,273, including interest at 3.14 percent through December 31, 2028. The term note requires the Academy to comply with certain financial covenants. The note is collateralized by certain investments of the Academy.

At December 31, 2023, the Academy also had a \$10,000,000 line of credit available. The line of credit bore interest at the Secured Overnight Financing Rate (SOFR) plus a margin of 1.25 percent. The line of credit expired on October 31, 2024. Effective November 22, 2024, the Academy renewed the line of credit, reducing the available line to \$5,000,000 and extending the expiration to October 31, 2025. The line of credit bears interest at the Secured Overnight Financing Rate plus a margin of 1.15 percent. There were no outstanding borrowings at December 31, 2024 or 2023.

The balance of the term loan matures as follows:

Years Ending	Amount
2025	\$ 409,091
2026	409,091
2027	409,091
2028	409,091
Total	<u>\$ 1,636,364</u>

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 8 - Loan Commitment (Continued)

Interest expense for 2024 and 2023 was \$66,225 and \$74,378, respectively.

Note 9 - Net Assets

Net assets without donor restrictions consist of the following as of December 31, 2024 and 2023:

	2024			2023		
	AAD	AADA	Total	AAD	AADA	Total
General Operating Fund	\$ 2,966,066	\$ 1,427,082	\$ 4,393,148	\$ 3,399,099	\$ 1,227,737	\$ 4,626,836
Area of Greatest Need	1,134,820	-	1,134,820	963,719	-	963,719
Sulzberger Endowment Fund	463,299	-	463,299	430,430	-	430,430
Reserve Income Fund (includes PPE/Tech Fund)	6,568,530	8,096,461	14,664,991	5,040,954	7,753,905	12,794,859
Strategic Reserve Fund	5,289,547	-	5,289,547	3,023,899	-	3,023,899
Excellence in Dermatology Endowment Fund	15,552,854	-	15,552,854	16,651,078	-	16,651,078
Camp Discovery Endowment Fund	7,981,542	-	7,981,542	7,943,965	-	7,943,965
Disaster Fund	35,219	-	35,219	34,955	-	34,955
Total	<u>\$ 39,991,877</u>	<u>\$ 9,523,543</u>	<u>\$ 49,515,420</u>	<u>\$ 37,488,099</u>	<u>\$ 8,981,642</u>	<u>\$ 46,469,741</u>

Aside from the General Operating Fund, the above net assets are board-designated net assets, and the designations can be removed or changed at any time by the board.

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 9 - Net Assets (Continued)

Net assets with donor restrictions as of December 31, 2024 and 2023 are available for the following purposes:

	2024			2023		
	AAD	AADA	Total	AAD	AADA	Total
Subject to expenditures for a specified purpose:						
SKINnovations	\$ 105,327	\$ -	\$ 105,327	\$ 102,227	\$ -	\$ 102,227
Everett C. Fox Fund	776,802	-	776,802	832,865	-	832,865
Lila Gruber Endowment Fund - Unappropriated earnings	56,598	-	56,598	55,806	-	55,806
Awards for Young Investigators Endowment Fund - Unappropriated earnings	14,412	-	14,412	15,563	-	15,563
World Congress of Dermatology Endowment Fund - Unappropriated earnings	247,120	-	247,120	199,815	-	199,815
Awards for Young Investigators - MTR	1,000	-	1,000	1,000	-	1,000
Program for Innovative Continuing Medical Education in Dermatology Endowment Fund - Unappropriated earnings	589,686	-	589,686	513,023	-	513,023
Access Care	-	-	-	128,477	-	128,477
Lebwohl Camp Scholarship Fund	474,831	-	474,831	683,459	-	683,459
Dialogues*	69,068	-	69,068	13,400	-	13,400
Annual meeting*	224,176	-	224,176	124,176	-	124,176
2024 AAD Clinical Community Sponsorship	150,000	-	150,000	150,000	-	150,000
Diversity Programs Pledge*	173,606	-	173,606	(34,356)	-	(34,356)
Access Community Outreach	57,989	-	57,989	63,645	-	63,645
Web Support/AAD.org	116,257	-	116,257	136,250	-	136,250
Children's programs	52,462	-	52,462	95,815	-	95,815
Clarence Livingood Award	15,000	-	15,000	15,000	-	15,000
Future of the Specialty	7,100	-	7,100	24,976	-	24,976
Derm pamphlets*	298,750	-	298,750	375,000	-	375,000
Diversity programs*	2,955,343	-	2,955,343	4,382,764	-	4,382,764
JAAD*	10,000	-	10,000	350,000	-	350,000
Care Program	44,958	-	44,958	24,167	-	24,167
Question of the Week	4,577	-	4,577	100,000	-	100,000
URIM Fellowship	100,000	-	100,000	-	-	-
QI Biologics*	286,832	-	286,832	-	-	-
Psoriasis Quality Project	68,656	-	68,656	-	-	-
Art of Skin	250,579	-	250,579	-	-	-
Art of Skin Pledge*	98,255	-	98,255	-	-	-
Video of the Month Sponsorship*	90,000	-	90,000	115,000	-	115,000
Scalp- and hair-related research/issues	494,164	-	494,164	488,001	-	488,001
2023 GPP Data Derm Educ Project	-	-	-	1,733,848	-	1,733,848
HS Data Derm Educ Project*	2,446,516	-	2,446,516	-	-	-
Good Skin Program*	15,378	-	15,378	139,340	-	139,340
GSK Pledge*	57,865	-	57,865	(2,562)	-	(2,562)
2023 Resident Newsletter	-	-	-	37,500	-	37,500

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 9 - Net Assets (Continued)

	2024			2023		
	AAD	AADA	Total	AAD	AADA	Total
SPOT ME (Melanoma Exposed)	\$ -	\$ -	\$ -	\$ 19,709	\$ -	\$ 19,709
AAD Learning Center Course -						
Skin Cancer Diagnosis	35,714	-	35,714	94,053	-	94,053
2024 Pledge for Hidradenitis						
Suppurativa (HS) Initiative	(5,548)	-	(5,548)	-	-	-
Human trafficking	10,000	-	10,000	-	-	-
Resident Access to Educ						
contributions*	23,238	-	23,238	-	-	-
Take a Hike*	50,000	-	50,000	19,407	-	19,407
Shade Structure contributions*	16,190	-	16,190	5,000	-	5,000
Shade Structure Adopt A Shade						
grants/contributions	16,765	-	16,765	66,875	-	66,875
Resident Access to Education						
contributions	-	-	-	22,799	-	22,799
Area of Greatest Need						
contributions*	23,776	-	23,776	127,484	-	127,484
Total	10,523,442	-	10,523,442	11,219,526	-	11,219,526
To be held in perpetuity:						
World Congress of Dermatology						
Endowment Fund	1,300,000	-	1,300,000	1,300,000	-	1,300,000
Lila Gruber Endowment Fund	318,116	-	318,116	318,116	-	318,116
Awards for Young Investigators						
Endowment Fund	125,000	-	125,000	125,000	-	125,000
Program for Innovative						
Continuing Medical Education						
in Dermatology Endowment						
Fund	600,000	-	600,000	600,000	-	600,000
Total to be held in perpetuity	2,343,116	-	2,343,116	2,343,116	-	2,343,116
Total	\$ 12,866,558	\$ -	\$ 12,866,558	\$ 13,562,642	\$ -	\$ 13,562,642

*Amounts included in these restrictions are also included in the pledges receivable balance on the combined statement of financial position and, therefore, are restricted for time and purpose.

Note 10 - Employee Benefit Plans

Defined Contribution Plan

The Academy sponsors a defined contribution pension plan (401(a)) for all eligible employees. Employer contributions to the plan were \$1,161,265 and \$1,022,031 for the years ended December 31, 2024 and 2023, respectively.

The Academy also sponsors a deferred salary plan with employer matching contributions (403(b)) for all eligible employees. Employer matching contributions to the plan totaled \$1,332,782 and \$1,245,730 for the years ended December 31, 2024 and 2023, respectively.

Deferred Compensation Plans

The Academy has a 457(b) deferred compensation plan. According to the 457(b) plan, the participants are eligible to make salary reduction contributions. With respect to the 457(b) plan, the Academy recorded contributions of \$11,000 and \$10,500 for the years ended December 31, 2024 and 2023, respectively.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 10 - Employee Benefit Plans (Continued)

Effective January 1, 2017, the Academy adopted a 457(f) deferred compensation plan. The amount is maintained on the Academy's books in a designated account, will remain the sole property of the Academy, and is available to satisfy the claims of all general creditors of the Academy. The executive director shall have a fully vested, nonforfeitable interest in her deferred compensation if she (1) continues her employment with the Academy until December 31, 2025, (2) dies, (3) is involuntarily terminated due to disability, or (4) is terminated from employment for reasons other than cause. Pursuant to the original employment agreement dated January 1, 2020 and extended on January 1, 2023, the executive director will receive a lump-sum distribution from her 457(f) plan account in an amount equal to her accrued balance through December 31, 2025. With respect to the 457(f) plan, the Academy recorded contributions of \$28,235 and \$23,400 for the years ended December 31, 2024 and 2023, respectively, which are included in accrued retirement costs on the combined statement of financial position.

On an annual basis, the Academy will make a contribution equal to 5 percent of the executive director's annual base salary to her 457(b) and 457(f) plans, whereby the contribution will first go to the 457(b) plan until the IRS maximum amount is reached, and the remaining balance will be contributed to the 457(f) plan.

Note 11 - Donor-restricted and Board-designated Endowments

The Academy's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

- The duration and preservation of the fund
- The purpose of the Academy 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 the Academy
- The investment policies of the Academy

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 23,997,694	\$ -	\$ 23,997,694
Donor-restricted endowment funds - Investments:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	2,343,116	2,343,116
Accumulated investment gains	-	902,816	902,816
Total	<u>\$ 23,997,694</u>	<u>\$ 3,245,932</u>	<u>\$ 27,243,626</u>
Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 25,025,472	\$ 3,127,324	\$ 28,152,796
Investment return:			
Investment income - Net	758,597	105,633	864,230
Net appreciation (realized and unrealized)	1,539,228	104,656	1,643,884
Total investment return	2,297,825	210,289	2,508,114
Appropriation of endowment assets for expenditure	(626,603)	(91,681)	(718,284)
Transfers	(2,699,000)	-	(2,699,000)
Endowment net assets - End of year	<u>\$ 23,997,694</u>	<u>\$ 3,245,932</u>	<u>\$ 27,243,626</u>
Endowment Net Asset Composition by Type of Fund as of December 31, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 25,025,472	\$ -	\$ 25,025,472
Donor-restricted endowment funds - - Investments:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	2,343,116	2,343,116
Accumulated investment gains	-	784,208	784,208
Total	<u>\$ 25,025,472</u>	<u>\$ 3,127,324</u>	<u>\$ 28,152,796</u>

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 22,589,369	\$ 3,034,031	\$ 25,623,400
Investment return:			
Investment income - Net	670,273	99,035	769,308
Net appreciation (realized and unrealized)	2,216,230	214,768	2,430,998
Total investment return	2,886,503	313,803	3,200,306
Appropriation of endowment assets for expenditure	(451,650)	(220,510)	(672,160)
Other changes - Transfers to create board-designated endowment funds	1,250	-	1,250
Endowment net assets - End of year	<u>\$ 25,025,472</u>	<u>\$ 3,127,324</u>	<u>\$ 28,152,796</u>

Underwater Endowment Funds

As of December 31, 2024 and 2023, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Academy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Academy must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the respective benchmarks for the different asset classes provided for in the Academy's investment policy. The asset classes include cash, fixed income, equities, stocks, large-cap stocks and options, mid-cap stocks and options, small-cap stocks and options, and foreign stocks and options. The Academy expects its endowment funds, over time, to provide an average rate of return equal to or greater than benchmarks associated with each of its three investment policies. Actual returns in any given year may vary from this amount; the investment committee reviews actual returns versus benchmarks for all funds.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

During the budgeting process, the Academy has a policy of reviewing each endowment fund's budgeted expenditures and compares these expenditures to the endowment fund's investment returns for the current year. In establishing this policy, the Academy considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Academy expects the current spending policy to be below the current market investment returns for its endowment. This is consistent with the Academy's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 12 - Journal of the American Academy of Dermatology

The Academy has a copyright license agreement with a publisher for reproduction, sale, and distribution of *Journal of the American Academy of Dermatology*. On December 20, 2016, the Academy entered into a new agreement that began on January 1, 2018 and expired on December 31, 2022. On January 1, 2023, the agreement was renewed under similar terms with an effective date of January 1, 2023 through December 31, 2029.

Note 13 - Liquidity and Availability of Resources

The following reflects the Academy's financial assets as of December 31, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the combined statement of financial position date:

	2024	2023
Cash and investments	\$ 82,269,716	\$ 83,170,125
Accounts and pledges receivable	8,784,964	8,078,404
Financial assets - At year end	91,054,680	91,248,529
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donor-imposed restrictions	10,523,442	11,219,526
Restricted in perpetuity	2,343,116	2,343,116
Board-designated endowment funds	23,997,694	25,025,472
Board-designated reserve funds	15,695,633	14,599,421
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 38,494,795</u>	<u>\$ 38,060,994</u>

In the event of an unanticipated liquidity need, the Academy can draw upon its line of credit, as described in Note 8. The Academy is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Academy must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Academy's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Academy invests cash in excess of daily requirements in short-term investments. It is the Academy's policy to have six months of operating expenses calculated using annual budget amounts exclusive of fund distributions and major expenses, plus the annual principal payment of the term loan of \$409,091, available for current operations.

Note 14 - Leases

The Academy is obligated under operating leases primarily for real estate, expiring at various dates through 2034. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 0.76 percent to 4.53 percent. The leases require the Academy to pay taxes, insurance, utilities, and maintenance costs.

At December 31, 2023, the Academy leased office equipment under long-term lease arrangement that were classified as finance leases. Under the terms of the lease agreements, payments of \$6,630 were due monthly through January 2024. The right-of-use asset and related lease liability had been calculated using a discount rate of 1.09 percent. After January 2024, the lease expired, but payments continued on a month to month basis. As such, the lease is classified as short term and included in short-term lease costs.

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Notes to Combined Financial Statements

December 31, 2024 and 2023

Note 14 - Leases (Continued)

Expenses recognized under these leases for the years ended December 31 consist of the following:

	2024	2023
Lease cost:		
Finance lease cost:		
Amortization of right-of-use assets	\$ 51,631	\$ 78,774
Interest on lease liabilities	6	540
Operating lease cost	1,435,791	1,070,482
Short-term lease cost	72,930	-
Total lease cost	<u>\$ 1,560,358</u>	<u>\$ 1,149,796</u>
Other information - Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 6	\$ 540
Operating cash flows from operating leases	1,722,507	1,836,020
Financing cash flows from finance leases	6,629	79,556
Weighted-average remaining lease term - Operating leases (years)	7.76	8.76
Weighted-average discount rate - Operating leases	3.4 %	3.4 %

Future minimum rent on noncancelable leases as of December 31, 2024 for each of the next five years, and in the aggregate, is as follows:

Years Ending December 31	Operating Leases	Finance Leases	Total Payments
2025	\$ 1,720,727	\$ -	\$ 1,720,727
2026	1,717,908	-	1,717,908
2027	1,748,188	-	1,748,188
2028	1,795,306	-	1,795,306
2029	1,843,727	-	1,843,727
Thereafter	6,336,883	-	6,336,883
Total	15,162,739	-	15,162,739
Less amount representing interest	<u>2,060,527</u>	<u>-</u>	<u>2,060,527</u>
Present value of net minimum lease payments	<u>\$ 13,102,212</u>	<u>\$ -</u>	<u>\$ 13,102,212</u>

Note 15 - Contributed Nonfinancial Assets

In-kind donations recognized by the Academy for the years ended December 31, 2024 and 2023 are for medical supplies and equipment that were used at various events and not monetized. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed nonfinancial assets are valued and reported at their estimated fair value in the combined financial statements. Contributed medical supplied and equipment are valued based on market value for similar supplies or pieces of equipment.

Additional Information

Independent Auditor's Report on Additional Information

To the Board of Directors
American Academy of Dermatology, Inc. and
American Academy of Dermatology Association, Inc.

We have audited the combined financial statements of American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc. as of and for the years ended December 31, 2024 and 2023 and have issued our report thereon dated July 8, 2025, which contained an unmodified opinion on those combined financial statements. Our audits were performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

July 8, 2025

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Financial Position

December 31, 2024

	AAD	AADA	Eliminating Entries	Total
Assets				
Cash	\$ 5,873,786	\$ 178,350	\$ -	\$ 6,052,136
Investments	62,254,827	13,962,753	-	76,217,580
Receivables - Net of allowances:				
Trade receivables	3,905,186	310,049	-	4,215,235
Pledges receivable	4,519,729	50,000	-	4,569,729
Total receivables - Net of allowances	8,424,915	360,049	-	8,784,964
Due from related organizations	37,223,889	7,692,029	(44,915,918)	-
Inventory - Net	158,913	-	-	158,913
Prepaid expenses and other assets:				
Prepaid expenses	3,822,303	502,179	-	4,324,482
Accrued interest and dividend income	66,024	82,216	-	148,240
Total prepaid expenses and other assets	3,888,327	584,395	-	4,472,722
Right-of-use operating lease assets	5,316,404	4,120,665	-	9,437,069
Property and equipment - Net:				
Machinery and equipment	116,691	-	-	116,691
Furniture and fixtures	1,684,242	308,315	-	1,992,557
Computer equipment and software	5,960,500	297,653	-	6,258,153
Leasehold improvements	5,496,043	1,175,390	-	6,671,433
Total property and equipment - Cost	13,257,476	1,781,358	-	15,038,834
Accumulated depreciation	7,936,040	995,971	-	8,932,011
Total property and equipment - Net	5,321,436	785,387	-	6,106,823
Total assets	<u>\$ 128,462,497</u>	<u>\$ 27,683,628</u>	<u>\$ (44,915,918)</u>	<u>\$ 111,230,207</u>

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Financial Position (Continued)

December 31, 2024

	AAD	AADA	Eliminating Entries	Total
Liabilities and Net Assets				
Liabilities				
Accounts payable and other	\$ 1,323,984	\$ 43,390	\$ -	\$ 1,367,374
Due to related organizations	42,904,992	2,010,926	(44,915,918)	-
Accrued retirement costs	1,453,210	-	-	1,453,210
Accrued salaries	1,645,465	-	-	1,645,465
Accrued vacation leave	945,417	-	-	945,417
Deferred revenue - Annual national meeting	13,654,253	-	-	13,654,253
Deferred revenue - Subscriptions and other	4,972,947	12,112	-	4,985,059
Deferred revenue - Membership dues	-	10,058,875	-	10,058,875
Lease liabilities - Operating	7,067,430	6,034,782	-	13,102,212
Loan commitment	1,636,364	-	-	1,636,364
Total liabilities	75,604,062	18,160,085	(44,915,918)	48,848,229
Net Assets				
Without donor restrictions	39,991,877	9,523,543	-	49,515,420
With donor restrictions	12,866,558	-	-	12,866,558
Total net assets	52,858,435	9,523,543	-	62,381,978
Total liabilities and net assets	<u><u>\$ 128,462,497</u></u>	<u><u>\$ 27,683,628</u></u>	<u><u>\$ (44,915,918)</u></u>	<u><u>\$ 111,230,207</u></u>

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Financial Position

December 31, 2023

	AAD	AADA	Eliminating Entries	Total
Assets				
Cash	\$ 9,275,397	\$ 801,177	\$ -	\$ 10,076,574
Investments	59,918,775	13,174,776	-	73,093,551
Receivables - Net of allowances:				
Trade receivables	5,378,354	402,920	-	5,781,274
Pledges receivable	2,297,130	-	-	2,297,130
Total receivables - Net of allowances	7,675,484	402,920	-	8,078,404
Due from related organizations	19,740,194	6,473,943	(26,214,137)	-
Inventory - Net	204,603	-	-	204,603
Prepaid expenses and other assets:				
Prepaid expenses	2,786,867	529,447	-	3,316,314
Accrued interest and dividend income	75,966	74,464	-	150,430
Total prepaid expenses and other assets	2,862,833	603,911	-	3,466,744
Right-of-use operating lease assets	5,829,868	4,650,442	-	10,480,310
Property and equipment - Net:				
Machinery and equipment	116,691	-	-	116,691
Furniture and fixtures	1,684,242	308,315	-	1,992,557
Computer equipment and software	3,098,754	297,653	-	3,396,407
Leasehold improvements	5,487,855	1,175,390	-	6,663,245
Total property and equipment - Cost	10,387,542	1,781,358	-	12,168,900
Accumulated depreciation	7,202,583	820,604	-	8,023,187
Total property and equipment - Net	3,184,959	960,754	-	4,145,713
Total assets	<u><u>\$ 108,692,113</u></u>	<u><u>\$ 27,067,923</u></u>	<u><u>\$ (26,214,137)</u></u>	<u><u>\$ 109,545,899</u></u>

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Financial Position (Continued)

December 31, 2023

	AAD	AADA	Eliminating Entries	Total
Liabilities and Net Assets				
Liabilities				
Accounts payable and other	\$ 1,618,546	\$ 44,696	\$ -	\$ 1,663,242
Due to related organizations	24,433,148	1,780,989	(26,214,137)	-
Accrued retirement costs	1,252,312	-	-	1,252,312
Accrued salaries	1,714,917	-	-	1,714,917
Accrued vacation leave	878,267	-	-	878,267
Deferred revenue - Annual national meeting	13,195,523	-	-	13,195,523
Deferred revenue - Subscriptions and other	4,861,178	12,988	-	4,874,166
Deferred revenue - Membership dues	-	9,494,498	-	9,494,498
Lease liabilities - Operating	7,642,026	6,753,110	-	14,395,136
Loan commitment	2,045,455	-	-	2,045,455
Total liabilities	57,641,372	18,086,281	(26,214,137)	49,513,516
Net Assets				
Without donor restrictions	37,488,099	8,981,642	-	46,469,741
With donor restrictions	13,562,642	-	-	13,562,642
Total net assets	51,050,741	8,981,642	-	60,032,383
Total liabilities and net assets	<u>\$ 108,692,113</u>	<u>\$ 27,067,923</u>	<u>\$ (26,214,137)</u>	<u>\$ 109,545,899</u>

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Activities

Year Ended December 31, 2024

	AAD	AADA	Eliminating Entries	Total
Changes in Net Assets without Donor Restrictions				
Revenue, gains, and other support:				
Membership dues	\$ -	\$ 12,882,914	\$ -	\$ 12,882,914
Meetings	28,210,225	41,186	-	28,251,411
JAAD and other royalties	8,790,310	1,428,443	-	10,218,753
Educational product sales	2,037,818	361,941	-	2,399,759
Other	390,125	157,701	-	547,826
Grants and contributions	1,021,936	254,554	-	1,276,490
Contributed nonfinancial assets	227,801	-	-	227,801
Investment gain	3,797,013	869,241	-	4,666,254
Contributions from related entity	215,236	-	(215,236)	-
Net assets released from restrictions	11,702,291	250,000	-	11,952,291
Total revenue, gains, and other support	56,392,755	16,245,980	(215,236)	72,423,499
Expenses:				
Program services:				
Educational	20,875,384	3,052,546	-	23,927,930
Communications	4,718,944	1,207,605	-	5,926,549
Advocacy & Policy, Science & Quality, and Practice Management	8,836,822	5,651,086	-	14,487,908
Strategy analytics & alliances	2,119,377	572,847	-	2,692,224
Contributions to related entity	-	215,236	(215,236)	-
Member services and administration	14,801,900	4,875,775	-	19,677,675
Fundraising	2,536,550	128,984	-	2,665,534
Total expenses	53,888,977	15,704,079	(215,236)	69,377,820
Increase in Net Assets without Donor Restrictions	2,503,778	541,901	-	3,045,679
Changes in Net Assets with Donor Restrictions				
Grants and contributions	10,691,997	250,000	-	10,941,997
Investment gain	314,210	-	-	314,210
Net assets released from restrictions	(11,702,291)	(250,000)	-	(11,952,291)
Decrease in Net Assets with Donor Restrictions	(696,084)	-	-	(696,084)
Increase in Net Assets	\$ 1,807,694	\$ 541,901	\$ -	\$ 2,349,595

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Activities

Year Ended December 31, 2023

	AAD	AADA	Eliminating Entries	Total
Changes in Net Assets without Donor Restrictions				
Revenue, gains, and other support:				
Membership dues	\$ -	\$ 12,063,445	\$ -	\$ 12,063,445
Meetings	23,886,176	34,333	-	23,920,509
JAAD and other royalties	8,175,272	1,412,397	-	9,587,669
Educational product sales	1,963,772	392,001	-	2,355,773
Other	1,573,655	198,030	-	1,771,685
Grants and contributions	2,574,297	105,954	-	2,680,251
State grants	191,056	-	-	191,056
Investment income	4,982,217	1,107,869	-	6,090,086
Net assets released from restrictions	8,037,639	455,000	-	8,492,639
Total revenue, gains, and other support	51,384,084	15,769,029	-	67,153,113
Expenses:				
Program services:				
Educational	18,555,928	2,922,383	-	21,478,311
Communications	4,495,916	1,263,405	-	5,759,321
Advocacy & Policy, Science & Quality, and Practice Management	6,843,404	5,460,065	-	12,303,469
Strategy analytics & alliances	2,106,462	597,030	-	2,703,492
Member services and administration	13,254,074	4,713,011	-	17,967,085
Fundraising	2,343,067	119,791	-	2,462,858
Total expenses	47,598,851	15,075,685	-	62,674,536
Increase in Net Assets without Donor Restrictions	3,785,233	693,344	-	4,478,577
Changes in Net Assets with Donor Restrictions				
Grants and contributions	7,382,800	425,000	-	7,807,800
Investment income	473,768	-	-	473,768
Net assets released from restrictions	(8,037,639)	(455,000)	-	(8,492,639)
Decrease in Net Assets with Donor Restrictions	(181,071)	(30,000)	-	(211,071)
Increase in Net Assets	\$ 3,604,162	\$ 663,344	\$ -	\$ 4,267,506